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INDUSTRY

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Advisory Board: Han Kon-ju, Kevin Khum, Kim Kook-hyun,
Publisher & Editor-in-Chief: Park Jung-hwan

Managing Editor: Matthew Weigand
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Designer: Lindsay Cha

Marketing Manager: Kwon Hyuck-jin
Advertising Manager: Jung eui-jung
Administration Manager: Jung Min-hee
Circulation Manager: Lim Moon-joo

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Overseas Representatives

Australia

McLean Media Representations Pty. Ltd.
 P.O.Box 544, Newtown NSW 2042, Australia
Tel: (612) 519-6455, **Fax:** (612) 577-1614

Belgium

Staf Wuyts, AD International
 Bld. Lambertmont 140 B-1030 Brussels, Belgium
Tel: (02) 216-0730, **Fax:** (02) 216-4632

Canada

Globe Media International
 444 Front Street West, Toronto, Ontario, Canada M5V 2S9
Tel: (416) 585-5415, **Tlx:** 06-219629, **Fax:** (416) 585-5275

Finland

Seppo Lehtinen, Seppo Lehtinen Oy
 Fredrikinkatu 33 B, 00120 Helsinki, Finland
Tel: (90) 611471, 647412, **Tlx:** 12-2814 sigco sf, **Fax:** (90)609114

Germany

Franz Brunsing, Industrial Export Services
 Buttgenweg 18, D 4000 Dusseldorf 11, Federal Republic of Germany
Tel: (0211) 59 26 22, **Tlx:** 8587465 SERV D, **Fax:** 49-211-59-611-43

Hong Kong

Serina Cheung, Managing Director, Media Services Network
 10/F Flat A, Sun Hey Mansion, 72 Hennessy Road, Wanchai, Hong Kong
Tel: 529-3677, **Fax:** 866-2398

Indonesia

Yoly de Rivera
 P.T. MEDIANET INTISARANA
 Kerayoran Baru, Jakarta Selatan 12110, Indonesia
Tel: 7202587, 7202488 **Fax:** 7202651

Italy

Carlo E. Calcagno, Studio Calcagno Srl,
 International Media Representative
 Via Copernico, 22-20125, Milano, Italy
Tel: (392) 689-4891 **Fax:** (392) 607-0773

Japan

Japan Advertising Communications
 Three Star Building, 3-10-3 Kanda Jimbocho Chiyoda-ku, Tokyo 101
Tel: (3) 3261-4591, **Fax:** (3) 3261-6126

Netherlands

A.A. Van der Graaf, Office Manager
 Publicitas b.v., Maassluisstraat 414, 1062 GS Amsterdam, Netherlands
Tel: 020-178795, **Tlx:** 11656 PUBAM NL, **Fax:** 020-174414

Philippines

Mr. Paul Ligonis, ASPAC
 P.O.Box 7226, Domestic Airport Post Office
Tel: 827-3950, 827-4477, **Tlx:** 64838 LTA BCPN, **Fax:** (632) 817-5802

Singapore

Hoo Siew Sai
 Major Media Singapore Pte Ltd., 6th Floor, 52 Chin Swee Road
 Singapore 0316
Tel: 7380122, **Fax:** 7382108

Sweden, Norway and Denmark

Sten Janson, Business Books in Saro AB
 Gihlsrovagen 19, S-43040 Saro, Sweden
Tel: 46-31936220, **Fax:** 46-31151333

Switzerland

Joseph Pollet, Managing Partner
 IPP International Publications Partners
 P.O.Box 3329, CH-4002 Basel Tel: 061/35 27 66, **Fax:** 061/35 24 88

Taiwan

Lewis Int'l Media Services Co., Ltd.
 Floor 11-14, No. 46, Sec. 2, Tun Hua South Road, Taipei, Taiwan,
Republic of China

Tel: 886-2-7075519 or 7087727, **Fax:** 886-2-7098348

Thailand

Anthony Sharma, Thai Representation Ltd.
 Thai Representation-867 58 Sukhuvit 101, Prakanong, bangchak, Bangkok
 10260, Thailand
Tel: 662-3320503-4, 662-3319690-2 **Fax:** 3319303

United Kingdom

Anthony Turner, Managing Director, The Colin Turner Group
 City Cloisters, 188-196 Old Street, London EC1V 9BX
Tel: 71-490-5551, **Tlx:** 261140 TURNER G, **Cable:** TURNERSYND
 LONDON ECI
Fax: 71-490-2271

U.S.

Mrs. Clair Chun / U.S. Correspondent
 390 17th ST NW #4065 Atlanta, GA, 30363
Tel: 770-880-6722 **Email:** toclair@businesskorea.co.kr



What South Korea's President Should Do as State Guest

President Park Geun-hye will make a state visit to the United States from June 14 to 19. It is expected that the agenda items for the summit talks this time will include strategic

cooperation between Washington and Seoul in the current situation in which the differing national security strategies of the U.S. and China are compelling South Korea to make difficult choices, as well as a joint response to the North Korean nuclear threat and the confirmation of the firmness of the ROK-U.S. Alliance.

Her visit next month is drawing particular attention in that things are changing fast in Northeast Asia these days. Japanese Prime Minister Shinzo Abe's recent visit to Washington D.C. brought U.S.-Japan relations even closer, and Beijing and Tokyo appear to be burying the hatchet nowadays. Kim Jong-un's reign of terror, in the meantime, is making it even more difficult to predict where the North is headed. The tension between the U.S. and China surrounding the deployment of THAAD in South Korea is ongoing, and the Washington-led trilateral MOU for sharing military data among South Korea, the U.S., and Japan is making China uncomfortable, too.

South Korea is in a dilemma. China becomes irritated when the Korea-U.S. alliance or trilateral cooperation gets strengthened, and the U.S. expresses its discomfort when the South and China stick close to each other. Japan has never stopped provocations against South Korea regarding Dokdo Island, history textbooks, and comfort women issues.

It is beyond doubt that what South Korea should do amid Washington's and Beijing's struggle for hegemony is to make aggressive efforts for a new order in Northeast Asia by leading the two superpowers towards close cooperation against the North Korean nuclear threat and for the stability in the region, as well as richer welfare in the global arena. The first step towards this goal should be for the Park Geun-hye government to establish strategies for such a balanced diplomatic focus. Former Indonesian President Susilo Bambang Yudhoyono said that both the U.S. and China can be brought to the table when South Korea, close to both, takes the initiative. It is hoped that President Park Geun-hye's visit to the U.S. will lay the cornerstone for it.

At the same time, she needs to deal with the pro-Japanese views of some U.S. government personnel so that the bilateral relationship between Seoul and Washington can remain sound. Washington has to be convinced that Japan's revisionism cannot be tolerated by any means, and a change of stance is essential for the stability of U.S.-

Korea-Japan relations.

Park Jung-hwan,
 Publisher & Editor-in-Chief

Korea-India Corporation

Korea to Finance Infrastructure Construction Projects in India



Korean President Park Geun-hye and Indian Prime Minister Narendra Modi had summit talks on May 18.

by Jung Suk-yee

The Korean and Indian governments will start negotiations in June next year or earlier for improving their Comprehensive Economic Partnership Agreement (CEPA).

South Korean President Park Geun-hye and her Indian counterpart Narendra Modi on May 18 agreed to elevate the level of bilateral ties to a “special strategic partnership” and start negotiations to revise a comprehensive economic partnership agreement (CEPA), which is equivalent to a free trade deal, by June next year.

Early last year, the two countries had agreed to elevate the level of CEPA, during Park’s official visit to India. But market insiders said that the level of free trade has remained too low for South Korean companies to enter one of the world’s fast-emerging markets.

According to the current CEPA, only an 85 percent tariff concession is applied

to India and no less than 13.8 percent of items of trade are subject to incomplete tariff elimination. Besides, the rates of use of the CEPA stand at 56.3 percent for export and 67 percent for import, which are much lower than those of the KORUS FTA (76 percent), Korea-EU FTA (85 percent) and Korea-Chile FTA (80 percent).

The South Korean government also expressed its intention to provide financial support worth US\$10 billion for infrastructure projects in India, while Korean companies will be given opportunities to participate in the projects for Ganges River purification, high-speed railway construction, smart grid construction, and alternative energy development. At present, India’s power supply rate stands at 75 percent. The Indian government is planning to invest US\$100 billion into the alternative energy industry and smart grid construction by 2020.

During the summit, Modi requested the South Korean leader to provide investment and support for his “Make in India”

drive — aimed at bolstering India’s manufacturing sector — and its participation in infrastructure projects including one to build “smart cities.”

The summit between Park and Modi was, however, expected to offer Korean businesses wider access to the world’s second-most populous market of 1.2 billion. India is South Korea’s 12th trading partner and is expected to become a crucial partner for its geopolitical importance.

In addition, the two leaders agreed to hold a bilateral summit every year, as well as a separate meeting between foreign ministers, to strengthen communication channels. India promised that it would set up the Korea Plus Center in the Prime Minister’s Office so that Korean companies doing business in India can get some help in coping with their difficulties.

This is the first time for the Indian prime minister to visit the country after he took office in May last year. The leaders were holding the summit for the second time after their previous meeting held

on the sidelines of the East Asia Summit and ASEAN Plus Three Summit. At the meeting last year, they discussed ways to improve a strategic partnership signed in 2010.

The Indian premier arrived in Seoul on May 18 for a two-day trip. South Korea is his last destination of a three-nation trip aimed at enhancing ties with India's eastern neighbors. Before South Korea, Modi visited China and Mongolia.

"Make in India" Drive

Modi's "Make in India" drive was highlighted during his meetings with Korean business leaders on May 19. Indian Prime Minister Narendra Modi meets with Hyundai Motor Group chairman Chung Mong-koo on the day to ask for the construction of its third plant in India. Also, meetings were made between the Prime Minister and Samsung Electronics President Shin Jong-kyun and POSCO Chairman Kwon Oh-joon.

Samsung Electronics and Hyundai Motor Company in particular are paying attention to the emerging Indian market. Thanks to the "Make in India" initiative, domestic companies are speeding up to tap into the market of India, a country with a population of 1.2 billion.

The Ministry of Trade, Industry and Energy (MOTIE), the Korea Chamber of Commerce and Industry (KCCI), and India's Ministry of Commerce and Industry held an inauguration ceremony of the South Korea-India CEO Forum at Lotte Hotel Seoul in Sogong-dong on May 19, where South Korean President Park Geun-hye and Indian Prime Minister Narendra

Modi attended.

Jointly presided by Park Yong-man, chairman of the KCCI, and Kumar Birla, chairman of the largest Indian conglomerate Aditya Birla Group, both countries agreed to turn the cooperation up a notch in accordance with the Indian government's "Make In India" initiative in the forum. Samsung Electronics and Hyundai Motor also delivered a positive message on investment expansion and market advance in India.

After a meeting with Indian Prime Minister Narendra Modi at Millennium Seoul Hilton in Seoul on the same day, Chung Mong Koo, Hyundai Motor's chairman, said that the company is considering building a third plant in India.

He said, "Hyundai Motor Group plans to produce and sell 640,000 cars, a 4 percent increase from a year ago, with the two plants in Chennai this year. Of the 640,000 units, 470,000 units will be supplied to India, and the remaining 170,000 units will be exported to 110 countries around the world."

Entering the Indian market in 1997, Hyundai Motor now has an annual production capacity of 600,000 units at its two plants. The group also sold 410,000 units in the market last year and is currently ranked second in the market share with 16.2 percent.


Samsung Electronics also plans to enhance its cooperation with India. Having met Narendra Modi, Shin Jong-kyun, president of the IT & Mobile Communications (IM) Division at Samsung Electronics, said to the press, "We, India and Samsung Electronics, agreed to cooperate more closely."

Park Sang-jin, Samsung Electronics' president, said that the company will more actively participate in the Indian smartphone and smart city markets. Samsung Electronics is currently running two cell-phone manufacturing plants in India, and has a market share of 27.8 percent in the Indian smartphone market as of the first quarter this year.

Kwon Oh-joon, POSCO's CEO, asked Narendra Modi for business cooperation in India. Kwon said, "Since POSCO is working on various projects, I asked him for help. POSCO plans to focus on the project in India's western regions related to a cold-rolled steel mill."

In June 2005, POSCO signed an MOU with the state government of Orissa for a plant. However, the company has been unable to make much progress on the project, due to the permission of mining rights and the security of the construction site. President Park said in the South Korea-India CEO Forum held the same day, "If the two countries share measures to innovate in the manufacturing industry, and develop cooperation by joint investment, both will be able to secure a new growth engine through the manufacturing business. In consideration of both countries' growth potential and complementary trade structure, the cooperation so far is just a beginning."

In particular, Narendra Modi visited Hyundai Heavy Industries (HHI) in Ulsan on May 19. Prime Minister Modi asked HHI to be a partner for the development of the Indian shipbuilding industry.

The executives of HHI and Modi discussed cooperation in the defense industry, liquefied natural gas (LNG) carriers, and technology support. India plans to build a number of ships in order to enhance its navy, so it showed lots of interest in HHI's technology, HHI said. Choi Kil-seon, chairman of HHI, said that the company will seek a new path for growth via cooperation with the Indian government, positively evaluating the potential of the Indian shipbuilding industry. Gale, India's state-owned gas company, is going to order up to 11 LNG carriers in order to carry American LNG to India for 20 years from 2017, HHI said. 



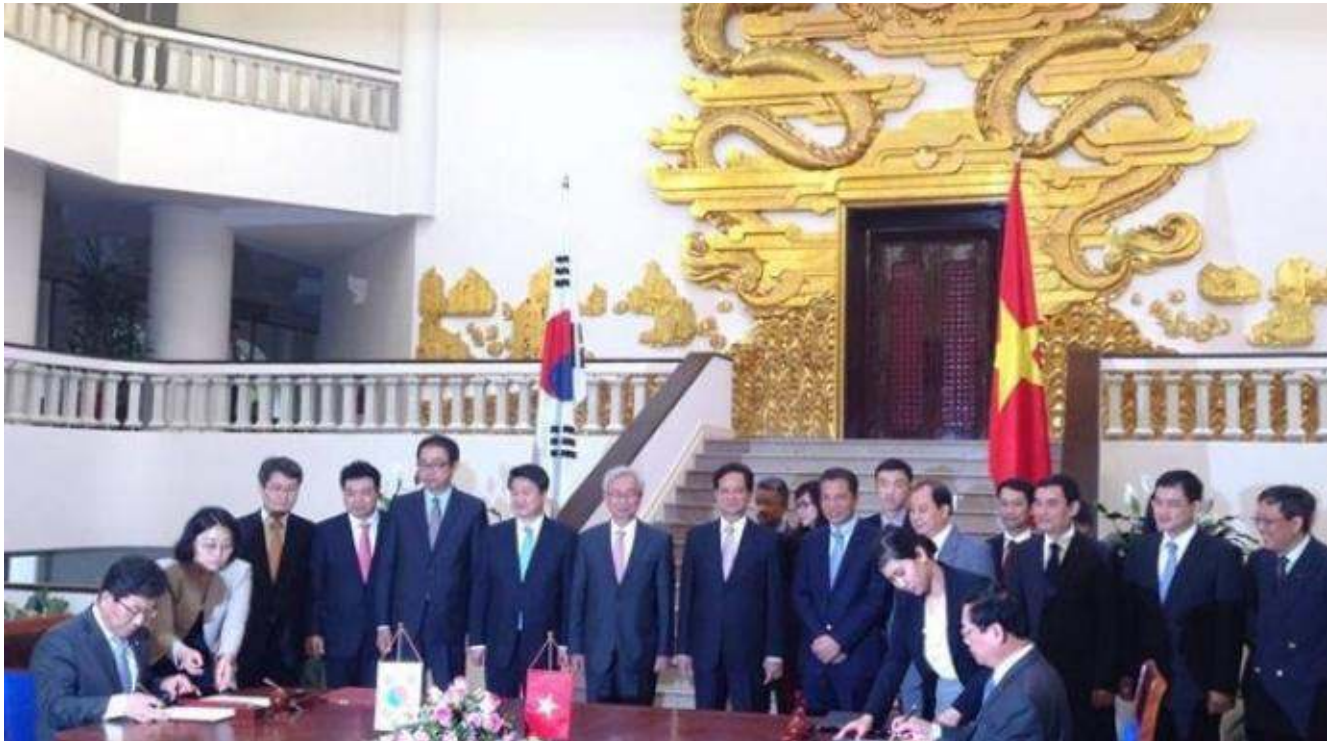
Chung Mong Koo (left), Hyundai Motor's chairman, and Narendra Modi (right), India's prime minister, pose together at the Millennium Seoul Hilton on May 19.



Narendra Modi (left), Indian Prime Minister, shakes hands with Choi Kil-seon (right), chairman of Hyundai Heavy Industries.

15th FTA

Korea Signs Free Trade Agreement with Vietnam



Representatives from South Korea and Vietnam sign the Free Trade Agreement in Hanoi on Tuesday, May 5.


Minister of Trade, Industry & Energy Yoon Sang-jik and Vietnamese Industry & Trade Minister Vu Huy Hoang signed the Korea-Vietnam FTA in Hanoi on May 5 in the presence of Vietnamese Prime Minister Nguyễn Tấn Dũng. According to the agreement, Korea and Vietnam will eliminate 94.7 percent and 92.4 percent of their tariffs based on the amounts of imports, respectively.

The 10 percent to 15 percent tariffs imposed on auto parts exported from Korea are scheduled to be eliminated in steps, along with a 12 percent tariff on textile goods. In addition, the 25 percent tariff on electric rice cookers and the 20 percent one on mixer and vegetable juice machines will be removed, so small firms in Korea can increase their exports.

In the service sector, segments such as construction, urban planning, landscaping, and machinery lease will be further opened, so that Korean builders can better participate in urbanization projects in Vietnam. The rice market is excluded from the agreement, and no further market opening is scheduled for sensitive primary industry items like onions, squid, green tea, and chili pepper. The tariffs on tropical fruit, ginger, garlic, and pork will be

removed within 10 years, and those on natural honey and sweet potato starch within 15 years.

According to the Korea International Trade Association, exports from Korea to Vietnam reached US\$6.58 billion in the first quarter of this year, showing an 18.3 percent increase from a year earlier. In that quarter, only China and the United States recorded more exports to Vietnam than Korea did. The increase in the exports is especially eye-catching in that Korea's overall exports declined 2.9 percent in Q1 this year, when those to the ASEAN region, Japan and China fell 17.6 percent, 22.0 percent and 1.5 percent as well, respectively.

During the same period, Korea's imports from Vietnam increased 17.3 percent to US\$2.03 billion and the bilateral trade volume went up 18.1 percent to US\$8.61 billion. The latter broke the US\$30 billion mark last year, when the volume added up to US\$30.34 billion by showing a 7.4 percent growth. Last year, Korean companies accounted for 14.7 percent of the imported goods market of Vietnam to be second only to China, which took up 29.6 percent of it. 

by Jung Suk-ye

Three-Way FTA

Korea, China, Japan FTA Talks End without Visible Progress



The three-way talks between Korea, Japan, and China for a free trade agreement (FTA) South Korea, which began in Seoul on May 12 to narrow down their remaining differences, came to an end on May 13 with some progress, but without any expected significant breakthrough.

The chief negotiators from the three countries held a round of negotiations in Seoul that began on the previous day in an effort to narrow down their different positions on the proposed trade deals. "We have made progress on some issues, but the talks moved slowly," said Korean Chief Negotiator Kim Hak-do, hinting the three countries have been unable to move the negotiations forward. It was known that the three countries just reconfirmed their different positions on the level of market opening in particular.

The efforts to move the negotiations ahead was made by holding separate working-level talks to detail the trade issues while leaving sensitive and political decisions to chief negotiators.

The meeting marked the seventh of its kind since the first round of negotiations in March 2013. It was, however, the first meeting instantly followed by separate working-level talks to have in-depth discussions on general concessions by head negotiators. The latest round of working-level talks was held in Seoul from April 13 to 17.


The trilateral FTA will link three of Asia's four largest economies, and become the first of its kind that links the Korean and Japanese economies. Japan is the only advanced nation with which Korea does not have a FTA. Seoul and Tokyo have held four rounds of talks for a bilateral FTA so far, but they have been suspended since November 2004.

The three countries had also negotiations for a separate regional FTA, known as the China-led Regional Comprehensive Economic Partnership (RCEP), which currently involves 13 other countries including all 10 members of the Association of South-east Asian Nations.

Meanwhile, Seoul and Beijing have concluded separate negotiations for a bilateral FTA. Korea's negotiations with China for a bilateral FTA were concluded late last year to sign officially the deal before the end of next year.

Seoul and Tokyo have also held four rounds of talks for a bilateral FTA, but the talks have been suspended since the latest round in November 2004.

The three countries said publicly that they will finalize the talks for a trilateral FTA before the end of next year. However, many industry experts here believe it will need more time.

The next round of talks will be held in China in July. 

By Jung Suk-ye

Money Politics

ADB Vice Presidency Likely to Go to Indonesia



The Korea Institute for International Economic Policy remarked on April 27 that Korea can get 3.35 percent to 3.93 percent of the shares of the Asia Infrastructure Investment Bank (AIIB), the ninth to fifth-highest among those of the 57 founding members.

At present, member countries are discussing how to divide the shares of the bank. The AIIB is planning to allow a 75 percent share ratio for Asian countries, but the percentage may be somewhat decreased depending on the result of the negotiations with European nations.

According to the institute, Korea's share ratio reaches the maximum when a 60 percent weighting is added to the market exchange rate-based GDP and a 40 percent weighting is given to purchasing power parity-based GDP with the Asian members' share ratio fixed at 75 percent. In this case, China can have 30.85 percent of the bank, followed by India (10.4 percent), Indonesia (3.99 percent), Germany (3.96 percent), and Korea (3.93 percent).

One of the most important variables is the classification of Russia. Korea's share ratio drops to 3.35 percent when Russia is classified as an Asian country, and the share ratio of the non-Asian countries is adjusted to 30 percent. In this case, China's share ratio falls to 26.27 percent, too.

"Once Russia is regarded as a part of the Asian group, it will compete with India for the second-largest shareholder position," the institute explained, "Then, the shares of Germany, France,

Britain, and Brazil increase as well so Korea falls in the rankings."

In the meantime, the Ministry of Strategy and Finance recommended a former vice minister versed in international finance as the successor to Bindu Lohani, the vice president for knowledge management and sustainable development of the Asian Development Bank (ADB), whose term expires next month, but the former vice minister has a slim chance.

At present, the most promising candidate is the Indonesian one. It is Japan that holds the key in the selection of the vice president. With Indonesia's strategic importance for Japan increasing these days, conditions are becoming unfavorable for the other two candidates from Korea and India. In addition, Indonesia represents 5.17 percent of the ADB, 0.11 percentage points higher than Korea's share ratio.

The ADB has five vice presidential positions shared by the United States, China, Europe, Nepal, and India, under the leadership of Japanese president Takehiko Nakao. Korea took one of the vice presidential positions between 1988 and 2003, before China and India took the place.

Under the circumstances, another keen competition similar to that in the ADB is likely to be witnessed in the Asia Infrastructure Investment Bank (AIIB) as well, with the share ratios of the founding members slated to be fixed before the end of this month.

by Jung Suk-ye

Two Tracks

President Park Geun-hye Meets with Korea-Japan Economic Association



Park Geun-hye shakes hands with the delegation of the Korea-Japan Economic Association in the Presidential Office on May 13.

On May 13, President Park Geun-hye met with Korea-Japan Economic Association representatives who visited Seoul to attend the 47th Korea-Japan Business Conference, and asked them to take the lead in effective bilateral economic cooperation.

Korea-Japan Economic Association Chairman Mikio Sasaki, Japan Business Federation Chairman Sadayuki Sakakibara, Japanese Ambassador to Korea Koro Bessho, and many more joined the reception with their Korean counterparts. There, the Korean President suggested trade expansion, anti-protectionism, and wider FTA networks as policy measures for tidying over the global financial crisis.

She also mentioned that historical matters, including the comfort women issue, need to be handled separately from economic cooperation. The matters can be resolved only when the Japanese government makes a heartfelt apology, and cooperation between Korea and Japan is now more urgent than ever in today's Northeast

Asia.


In the meantime, the President said on May 4 that her administration would not change its diplomatic stance in the near future, and would cope with the relations with the United States, China, and Japan with clear goals and directions, while not letting the historical matters slide. Her remarks were in response to the demand from some people that the government change its diplomatic strategy to better deal with the fast-changing situations in Northeast Asia.

On May 14, Korean and Japanese entrepreneurs released a joint statement at this year's Korea-Japan Business Conference for the resumption of currency swaps between the two countries and the conclusion of a free trade agreement covering Korea, Japan, and China.

The joint statement included many measures for bilateral economic cooperation. One example is a consensus on Korea's participation in the Trans-Pacific Partnership (TPP). The negotiations to

that end are expected to pick up speed in that Japan, which is a major partner of the leader of the TPP the United States, decided to vouch for Korea.

In addition, the entrepreneurs are going to make a series of suggestions to both governments with regards to cooperation in the fields of finance, foreign exchange, investment, and many more, while taking action for the resumption of the Korea-Japan currency swap, which came to a halt in February this year due to diplomatic tensions.

One of the other issues they agreed upon at this time is mutual collaboration for infrastructure export to and natural resources development in third countries. They also agreed on the necessity of closer ties in the ICT industry, including banking and public transportation cards. The two parties are going to work together for the success of the 2018 Pyeongchang Winter Olympics and the 2020 Tokyo Olympics, too. 

by Jung Suk-ye

Global City IFEZ

IFEZ Aiming to Become Center of Global Investment

The Northeast Asia Trade Tower (NEATT), and mark location for top-tier global and Korean companies, is a landmark of IFEZ.

by Jung Suk-yee

The Incheon Free Economic Zone (IFEZ), aiming to become a business hub of Northeast Asia, is poised to become a global city.

Designated as Korea's first free economic zone (FEZ) on August 11, 2003, the IFEZ has grown up with a strategy of selection and concentration to strengthen the country's competitiveness by cultivating new growth engines, under the circumstances where global capital and technology poured into China, and the gap in competitiveness with Japan still remained.

With its 12th anniversary approaching, the IFEZ's achievement is truly remarkable. Last year, the size of foreign direct investment (FDI) already exceeded that year's goal in the latter half. As a result, the goal was revised upwards, reaching US\$1.714 billion in the end. The number accounted for 9.0 percent of the total (US\$19.3 billion), and the weight increased by 2.5 percent compared to 6.5 percent of the previous year. The proportion of the IFEZ to 8 FEZs nationwide in

total FDI amounted to 94 percent. IFEZ is aiming for a global FEZ, going toward a leading FEZ.

A total of 13 international organizations including the Green Climate Fund are housed in the zone, which shows that the IFEZ is turning into a global city. The World Bank, the Association of World Election Bodies, and the Economic and Social Commission for Asia and the Pacific also have offices there, and more international organizations are expected to move into the zone.

Now, Incheon Global Campus, which has the State University of New York, George Mason University, Ghent University, and the University of Utah, may not seem strange to be called a hub of global education. IFEZ's other achievement is that it attracted many companies like Samsung BioLogics. Helped by these achievements, IFEZ's development model was exported to Ecuador.

Yeongjong District Establishing Foundation for Takeoff with Development of Cheong-na International City

The development of Yeongjong is said to have been slower than that of the Songdo District, but it has already established a foundation for its take-off last year. Yeongjong District is expected to be a cradle of the country's resort and casino industry this year. Paradise SegaSammy, aiming to become the nation's first global integrated resort Paradise City, already held a groundbreaking ceremony in Nov. last year. The construction of the LOCZ Resort is set to begin in June this year, and successive projects are underway to meet the target date. In particular, the construction is expected to create more than 8,000 jobs by 2018, and over 35,000 jobs by 2020, thereby becoming a catalyst for the development of Yeongjong District.

Hong Kong-based Chow Tai Fook (CTF) also signed a Memorandum of Understanding to create a resort in Yeongjong in Feb. this year. With a US\$2.6 billion investment in Midan City, a foreigner-only casino, a five-star hotel, and MICE industrial facilities will be built.

The Cheong-na International City also created an opportunity to become a city of international finance and tour-

ism. The Hana Financial Town project, which is under way with a goal to integrate finance-related functions of the Hana Financial Group by relocating its headquarters, human resource development center, and financial research center, had a groundbreaking ceremony in Oct. last year. Its construction is scheduled to begin in June.

After much difficulty, the IFEZ established a plan to lead the construction of the City Tour, which is expected to become a landmark in the 453 m² Cheong-na International City. IFEZ is taking proposals from business operators to build, manage, and run the City Tour and complex facilities by early June, and is going to select a candidate for the business in July.

Benefits, Characteristics of IFEZ

A big increase in the investment in the IFEZ and relocation of international organizations is largely attributable to the Incheon International Airport, a base of a global network that has maintained the top spot in airport services for ten years in a row. It is a 20-minute bus ride from the Songdo District to Incheon International Airport, which is a hub connecting 2 billion people within three hours of flight and 61 cities with more than 1 million people.

Since IFEZ is also easily accessible in the metropolitan area, it is easy to acquire a high-performance workforce. Educational institutions like Chadwick International School and the Incheon Global Campus are considered to be a foreigner-friendly environment.

Most of all, foreign investors are impressed by the fact that it is becoming a compact, smart, and green city.

A Compact City means that all kinds of functions necessary for a city are possible within 30-40 minutes' walk. In other words, the city is totally self-sufficient in handling businesses within its 5-km radius, since facilities needed for everyday life such as business, leisure, education, medical services, shopping, and conventions are all housed there. Songdo was already recognized as "the City of the Future" by news organizations around the world.



The Smart City moniker refers to a ubiquitous computing environment capable of freely connecting networks or computers regardless of place. There is a cutting-edge management system that offers convergence services like communications, transportation, water and sewage, electricity, fire protection, and medical services in real time, based on communications networks linked with the Internet and smartphones.

Songdo has also been turning into an eco-friendly city, starting from the IFEZ Low Carbon Green City Declaration of June 2011, and its green plot ratio amounts to 30 percent. Thanks to an automatic collection facility for household waste, it is known as a city without garbage trucks. In addition, it is possible to reuse already-used water for cleaning, landscaping, gardening, and road cleaning with heavy water treatment. In particular, Songdo Central Park is the nation's first park where sea water flows.

Visions and Tasks for IFEZ

Many point out that the IFEZ has unlimited possibilities. In addition to its global accessibility like the Incheon International Airport and Incheon Port, the designation of IFEZ as a test of the Korea-China FTA based on the provisionally signed Korea-China FTA, along with Weihai City of China, shows tremendous growth potential.


However, the reality is tough. When it comes to this year's 579.6 billion won (US\$522.6 million) budget, revenue from land disposal merely makes up 72.6 percent, extra tax income 25.3 percent, and government subsidies 2.1 percent. It is not easy to sell land owing to the property

downturn. Since the IFEZ's debt is included in the city's entire debt ratio, it is difficult to secure liquidity. In other words, revenue from land disposal and government subsidies are totally insufficient. It is not easy to borrow money, either.

The same is true for its designation as a test bed for deregulation, which is aimed at turning the IFEZ into a hub of promising service industries like education, medical services, finance, and tourism. The designation is to create the IFEZ as the country's growth engine by reviewing regulations and relaxing unnecessary regulations, but there isn't enough consensus or driving force among central government agencies, including the Ministry of Strategy and Finance.

In contrast, Japan and China have already introduced the National Strategic Special Zones (NSSZs), expanding the designation of free trade zones, and thereby moving ahead with sweeping deregulations.

Cho Dong-am, an official at IFEZ, stressed, "Using its designation as a test bed for deregulation, the IFEZ would gain another momentum for its advance. Only then will it be possible to adapt quickly to a selection and concentration strategy, which is the background of IFEZ's designation, and to secure the nation's new growth engines. I'm looking forward to the central government's groundbreaking decision."

He added, "I'll do my best to make IFEZ a world-class business-oriented city by attracting high-value-added service industries like education, medical service, distribution, tourism, and leisure." 

Between Venture Boom and Venture Bust

Venture Survival Rate Matters amid Rapidly-Increasing Number of Venture Firms

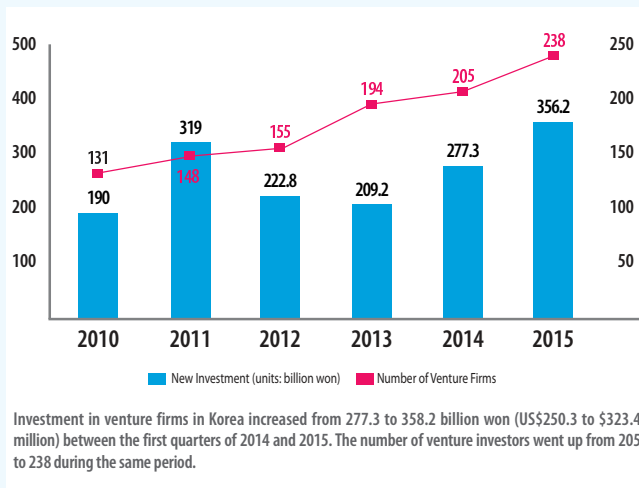
by Cho-Jin-young

An increasing number of startups are appearing around the world. U.S. President Barack Obama recently adopted the promotion of entrepreneurship as one of his strategies for national innovation, and the Chinese government is following the same direction. Young Chinese are marking the successes of Alibaba, Xiaomi, and Baidu.

Korea is no exception, either. Many people are expecting that venture firms developing their own creative techniques and think-

ing out of box will lead the future of the Korean economy. In particular, Korea's environments for starting a business are coveted by a significant number of countries across the world. The examples include broadband Internet access covering half of the population, the most advanced information technology, and the government's will to help the growth of startups. Founder of 500 Startups Dave McClure, who is also one of the founding partners of PayPal, recently decided to participate in the 10 billion won





(US\$9 million) fund of the Small & Medium Business Administration (SMBA) in order to seek promising venture firms in Korea.

According to the Korea Technology Finance Corporation, the number of venture firms in Korea reached 30,331 at the end of April this year, continuing to increase for the 10th consecutive month. The number broke the 30,000 mark in January this year, indicating an acceleration in the increase of newly-established corporations. In the first quarter of 2015, the number of new corporations hit a record high of 22,652 by showing a 9.1 percent increase from a year earlier.

The growth is being fueled by college students wishing to start their own businesses. According to the SMBA, there were 2,949 college student groups focused on starting new businesses as of the end of last year, no less than 61 percent more than at the end of the previous year. These groups counted a total of 29,583 members, a 31 percent increase during the same period.

Last year, 1.6393 trillion won (US\$1.4811 billion) was newly raised in venture funds to post an 18.4 percent growth year-on-year, and the amount is estimated to reach 1.81 trillion won (US\$1.64 billion) this year. In the first quarter of 2015, total venture investment grew by 29.2 percent from a year ago to 358.2 billion won (US\$323.6 million), and the number of organizations investing in venture firms increased from 205 to 238.

The Korean government is providing a wide variety of support options for startups, too. The Korea Venture Investment Corporation, which is the SMBA's arm managing the fund of funds invested in venture companies, increased the amount of the fund from 2.3445 trillion won (US\$2.1183 billion) to 2.7612 trillion won (US\$2.4952 billion) between the second quarter of 2014 and the first quarter of this year.

The government's assistance is not limited to financing. Instead, it is assisting in the business of venture firms with regard to presentations for overseas investment attraction, legal and accounting matters, and many more. A total of 130 leading Korean venture firms succeeded in boosting their combined net profits by 162.03 percent between the first quarter of 2014 and this year, thanks in part to the dedicated support.


Sustainable Growth of Venture Firms is Rather Overlooked

This implies a great opportunity for young people who wish to run their own businesses. Nevertheless, the ratio of startups led by those in their 20s and 30s to newly-established corporations has been on the decline for four years straight. It is said that not a few of them are resorting to setting up their own firms because they cannot find a job.

According to the Korea International Trade Association (KITA), only 41 percent of venture firms in Korea were three years old or older in 2013, whereas the percentage was as high as 66.8 percent in Luxembourg, 62.8 percent in Australia, 57.6 percent in the United States, 55.4 percent in Israel, and 54.8 percent in Italy. Besides, the ratio of those surviving for a decade was no more than 8.2 percent in Korea, and 75.2 percent of new venture firms were driven out of business within five years of their inception.

"Although the number of venture companies is more than 30,000 now, less than 10 percent of them are being vouched for by government organizations such as the Korea Technology Finance Corporation," said an industry source, continuing, "It is also very rare that venture capital makes an investment in a startup younger than three years." Another industry expert echoed by saying, "Those in their first or second year can benefit from various business incubation programs, but few venture capital firms are willing to invest in those in their fourth year planning on continuous employment and business expansion, and even major venture capitals are focusing on non-venture businesses in view of their investment yields." The KITA added that even the government is concentrating its investment on larger and more mature venture firms in order to avoid risk, even though financing is one of the most urgent issues for businesses in their third to fifth years.

The government budget for venture firms' sustainable growth declined from 24 to 21 billion won (US\$21.7 to \$19.0 million) and then to 19.3 billion won (US\$17.4 million) between 2013 and this year. On the contrary, its budget for venture firm foundation increased from 86.9 to 93.4 billion won (US\$78.5 to \$84.4 million) and then to 96.4 billion won (US\$87.1 million) during the period. This means the government's assistance is lopsided, with venture firms' sustainability being neglected.

The SMBA admitted that it is rather focusing on business starters, in that job creation is at the center of the Park Geun-hye administration's creative economy drive. "We are trying to deal with support for the sustainable growth of venture firms by attracting investment from the private sector," it explained. Still, experts are demanding that the government pay more attention to the qualitative growth of venture companies. "It seems that the government is concentrating on the quantitative side, that is, an increase in the number of new businesses, because it looks more effective than keeping the firms in business," KAIST professor Lee Min-hwa remarked, adding, "However, I'd like to stress that the policy for ensuring their sustainability is essential for the domestic venture ecosystem to be able to flourish." 

Balance in Business

Providing SMEs the Opportunity for Fair Competition

by Cho Jin-young

Smaller businesses and ventures are considered by many to be the future of the Korean economy, as it will make a break from large conglomerates in the next few years. BusinessKorea sat down with Han Jung-hwa, administrator of the Small and Medium Business Administration, to talk about the advantages and disadvantages of their support policies, the Peter Pan effect, and the mismatch between jobs needed and job holders. What follows are excerpts from the interview.

You have emphasized the importance of the growth of the venture ecosystem. What are the accomplishments of the Small & Medium Business Administration (SMBA) in this context?

The SMBA has implemented various measures to that end for the past two years, including those for the circulation of financial resources of May 2013 and promotion of M&As and the deregulation of March 2014. These plans have added vitality to the domestic venture industry, while meeting most of the demands from it, such as full tax deductions for angel investors.

Between 2012 and last year, the number of college student groups preparing their own businesses increased from 1,222 to 2,949, and the number of new corporations went up from 74,162 to 84,697, exceeding 80,000 for the first time since records began. In addition, the number of venture firms exceeded 30,000 in January this year, and that of venture firms with sales of more than 100 billion won (US\$91 million) reached the new high of 453 in 2013.

In 2014, a total of 2.5 trillion won (US\$2.28 billion) was raised in venture funds to show a 62 percent increase from a year earlier, and the new venture investment amounted to 1.6 trillion won (US\$1.46 billion), the highest since the venture boom in 2000. This has led to the revitalization of KOSDAQ, which rose from around 496 to 650 points between 2012 and April this year.

Some people are pointing out that the SMBA's assistance of small and medium enterprises is blocking the restructuring of those that are less competitive. What do you say?

It is true that the government's support might have some unintended side effects such as the delay in corporate restructuring. However, it is striving to prevent them by means of tighter screening procedures and management of the history of the application for the assistance.

I believe what matters most in government policy for SMEs is balance, that is, providing an opportunity for fair competition for them so that they can show everything they are capable of during their competition with larger companies. Equal opportunity for creative and promising SMEs and young entrepreneurs is the top

priority for us.

It is said that many SMEs are unwilling to be classified as enterprises of middle standing, and lots of enterprises of middle standing are unwilling to be regarded as major companies these days. What is your comment?

Fifty-seven support measures are gone and 16 new regulations appear when an SME turns into one of middle standing. This might be one of the biggest reasons for the Peter Pan syndrome.

The government, well aware of that, has carried out various programs since 2013 so that small firms can find it attractive to increase their size and expand their businesses to overseas mar-



Han Jung-hwa, administrator of the Small and Medium Business Administration.

kets. A special law for those of middle standing is on the anvil, too.

We have three plans in mind regarding the acceleration of the quantitative growth of SMEs. Firstly, we are going to classify the companies based solely on sales from this year, which will deter them from keeping their position by adjusting the capital or the number of employees. Another one is a gradual reduction of the benefits to ensure that the assistance they need can be maintained even after reclassification. The other one is the expansion of the World Class 300 Project for the sustainable growth of enterprises of middle standing, in which comprehensive help will be made available for technological development and overseas market penetration.

Many small firms say that it is difficult for them to hire the people they need. What is your solution?

In February this year, the number of unemployed reached 1.203 million, with 484,000 of them aged between 15 and 29. In the same month, 177,000 jobs were vacant in those firms, implying a severe mismatch.

Education failing to reflect the field has made it increasingly difficult for small firms to hire the people they need, and job seekers are shunning the firms due to relatively poor working conditions. SMEs pay an average of 59.5 percent of the salary in comparison to larger companies, and the former's employee benefits stand at 52.4 percent of those given by the latter.

Under the circumstances, we are trying to encourage job seekers to land at SMEs by providing customized training, while providing income tax and social insurance benefits for the companies, so that those working for them can enjoy higher real income and better working conditions.

Another matter of great importance is those starting their business in their third age. What support measures does the SMBA have for them?

Thirty-seven percent of online shopping malls in Korea are owned by those aged at least 40, and the number of startups led by those in the same age group is equivalent to 27.3 percent of the number of the employed in their 40s and older. Fifty-four percent of the startups are self-employed businesses, meaning that we need a policy for turning them into firms handling high technology.

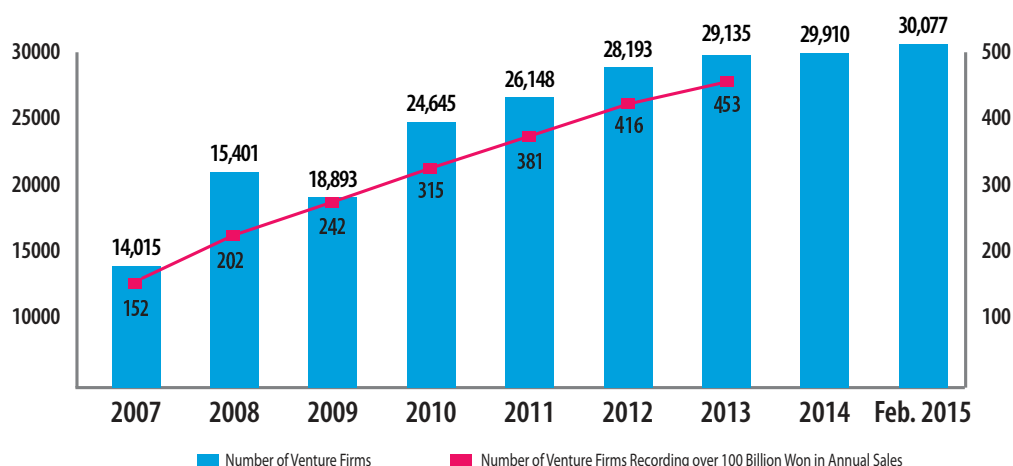
According to the Korea Institute of Startup & Entrepreneurship Development, approximately 1.4 million startups were set up by people in this age group, and 54.2 percent of them were self-employed ones, while just 8.8 percent and 16.7 percent of them were manufacturing and knowledge service firms, respectively. Between 2002 and 2011, 75.4 percent of self-employed companies went out of business or closed temporarily.

In order to tackle this situation, the SMBA has carried out tech-oriented startup support programs for senior citizens since 2010. Also, we modified the criteria for beneficiary selection last year, so as to reduce the ratio of owner-operators and raise that of startups capable of creating more added value in the manufacturing and knowledge service sectors.

Trade conditions are changing fast, with the expansion of free trade to compel small firms to go abroad. What are some examples of the SMBA's policy to help them?

Global business is not an option for SMEs in Korea, which has a narrow domestic market and is highly dependent on international trade, as is well known.

We have come up with tailored support measures for the globalization of SMEs along with chances for their participation in overseas exhibitions, online shopping malls, and business meetings. We have set up export incubators across the world so that they can settle in by making the office space and consulting services provided there. Nowadays, we are working on similar measures for those preparing to do business in China, with which Korea signed an FTA half a year ago. 



Significant VC Improvement

Venture Capital becoming More Accessible for Korean Startups

by Jung Suk-ye

The current administration's Creative Economy policy is two years in the making now. BusinesKorea sat down with Lee Yong-sung, chairman of the Korea Venture Capital Association (KVCA), to ask how the policy is playing out in the real world. He spoke about the changes that are being seen in the small and medium business environment of the country, the amount of foreign venture capital that is flowing into the country, and the next steps that need to be taken to further expand private sector involvement in venture capital investment. What follows are excerpts from the interview.

It has been two years since the incumbent government announced its "May 15 measurement." Please tell us the general results of the measure.

"Virtuous Cycle Measures to Develop a Venture-Startup Funding Ecosystem," so called the "May 15 Measurement," is a part of the current government's policy to promote venture businesses under the banner of the Creative Economy announced in 2013. Since then, various government plans related to the measurement have come up, and obstacles to growth of not only venture investment but also venture business as a whole have improved. Through this, the whole scale of the venture capital industry has significantly improved. It seems that the industry showed exceptional quantitative growth in 2014 a year after the announcement, as well as the current qualitative growth a year later through the improvement of numerous related systems.

The Small and Medium Enterprise Establishment Investment Association's investment in the KONEX market has been excluded from the list of limiting investments in listed stocks. It shows

a movement to revitalize the KONEX market. When banks and insurance companies finance venture funds at a certain rate, they should be included as a subsidiary and have obligations to report. As the rate has increased from 15 to 30 percent, the government vitalized private investment. Such revision of the related system and laws seems to be part of qualitative growth. Also, the government announced the revised bill to allow fintech investment in venture capital, so venture funds' quantitative and qualitative growth is highly likely to continue.

Thanks to such government policy, the new formation of venture capital in 2014 reached 2.5382 trillion won (US\$2.29 billion), showing the possibility of sustainable growth with the highest result since 2000. New investment recorded 1.6393 trillion won [US\$1.48 billion] last year alone, and 358.2 billion won (US\$323.49 million) in the first quarter of this year, growing continuously.

Some say that this still leaves much to be desired in terms of business start-up and investment returns even though venture investment showed remarkable growth. Are there any additional improvement plans and measures?

In the cycle of the venture ecosystem, which connects investment, start-ups, growth, and reinvestment, the bottleneck state is still the stage of investment returns. For a smooth cycle, much time and effort is steadily required.

Since venture investment largely depends on investment collection through the form of initial public offerings (IPOs), we should make efforts to reform the system and come up with countermeasures for revitalizing the KOSDAQ and KONEX markets. Recently, various policies for the smooth operation of the KONEX market are being announced, and the deposit regulation of individual investors has been decreased from 300 million won (US\$270,929) to 100 million won (US\$90,310). Along with it, the KONEX small investment account has been introduced, and a new plan to allow investment regardless of deposits of up to 30 million won (US\$27,093) has been announced. The new policy is in place from May this year, and it is expected to play a role in



Lee Yong-sung, chairman of the Korea Venture Capital Association (KVCA).

activating the KONEX market.

As a measure to boost the collection market, I suggest to consider creating funds to invest in the KOSDAQ and KONEX markets by expanding a “pension fund investment pool system,” which has been managed by the Ministry of Strategy and Finance from 2001. At the same time, various controlling devices, which create funds only for the KOSDAQ and KONEX and offset risks including investment funds in unlisted stocks, should be developed as well.

Moreover, the KOSDAQ market is limited in terms of role and function in a differentiated management system and capital market infrastructure in a bid to support small and medium-sized venture businesses. In order to solve this problem, the plan to establish a new management system of the KOSDAQ is also needed through the substantive separation of the KOSDAQ market.

Please tell us the scale of total venture capital at home last year and how much was private capital. What is the deregulation tasks needed to expand private capital?

As of the end of 2014, the formation of new venture capital amounted to 2.5704 trillion won (US\$2.32 billion) and reached a record high since 2000, opening a second venture renaissance. Among them, private capital, excluding government funds, accounted for nearly 40 percent, and more than half of it is public funds. The diversified finance structure is a problem waiting to be continuously solved by the industry. Rather than the structure that depends on the government, it is possible to secure more stable venture capital only when private interests come forward to expand venture capital.

Accordingly, inducement for private capital expansion is needed, and there are still many problems to be solved in order to do so. For instance, banks and insurance companies should be excluded from regulations to be included as a subsidiary and from risk weight applications on financing venture funds. Also, the efforts to expand tax benefits, including stock transfer gains, and reinforce the soundness of venture funds should be accompanied.

There is a growing number of Korean venture businesses targeting the global market. How much is Korean venture capital interested in this trend?

As venture businesses are becoming more globalized, more and more venture businesses are designing the firm according to overseas expansion from the beginning, unlike in the past.

Even though most domestic start-up businesses have targeted the home market so far, the globalization of domestic small and medium-sized venture businesses will accelerate faster than ever before with various support and attention. In particular, the fund of fund provides a relatively large amount of capital to funds for the companies at the startup stage, and it keeps investing in funds for the overseas expansion of domestic companies.

Also, venture capital, which manages infant funds, creates overseas expansion funds and invests in start-up businesses at the same time. So, there is a synergy to aggressively support overseas market expansion of investor companies.


There are also venture businesses, which were invested and tapped into the global market, to wait for being listed in the NASDAQ. As the movement for active globalization has concretely appeared, the globalization of the domestic venture ecosystem is moving forward.

Moreover, the industry and associations should join hands to seek overseas investment. It also should prioritize the improvement of laws and systems for globalization and need to build global track records by strengthening the network with foreign investors.

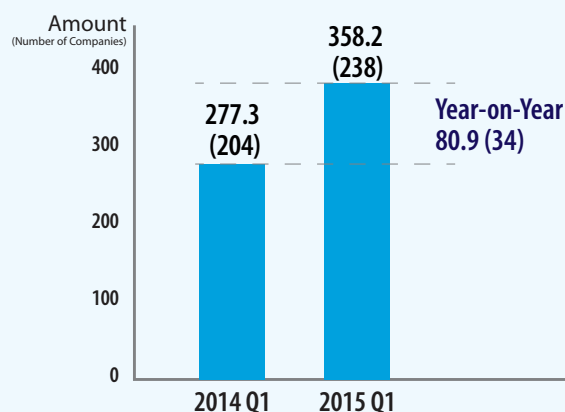
Overseas venture capital is becoming more interested in domestic venture businesses. What is the level of professionalism and competitiveness of domestic venture capital?

The Yozma Group, which is considered a major market player in Israel, announced that it will make 300 billion won [US\$270.93 million] in domestic investments for three years. And, one of the top U.S. biotech venture capital firms decided to invest in domestic venture funds to the tune of US\$100 million [110.73 billion won]. Also, the Small and Medium Business Administration and the Korea Venture Investment Corporation signed a contract to raise 10 billion won [US\$9.03 million] of funds with top global accelerator 500 Startups. This is only a partial example, but various overseas venture capital is flowing into the domestic market like this. It seems to be a movement to seek companies that have growth potential in the global market.

The globalization of domestic venture capital is still in the former phase of maturity, and we should benchmark investment strategy and manpower utilization, which checks the standard, through inflow of overseas venture capital. Currently, a considerable number of domestic venture capital does not have specialist posts or experts related to overseas business strategy in the company. Considering this fact, they should train professionals for overseas investment cooperation and lay the groundwork for establishing the global cooperation network and overseas market expansion of domestic companies.

The final goal is to simultaneously pursue the LP diversification and globalization of venture capital by increasing investment in overseas LP as a result. 

New Investment Results (Units: Billions of Won)



Doubling Production

Samsung SDI to Build 2nd Polarizer Film Facility in Wuxi, China



SDI CEO Cho Nam-sung, (front right), Deputy Mayor of Wuxi City Huang Qin (middle), and the head of Wuxi New District (left) shake hands after signing an MOU at Pullman Hotel in the city of Wuxi, Jiangsu Province, on May 25.

Samsung SDI is actively seeking to target the Chinese materials market by constructing a large polarizer film facility in the country.

Samsung SDI announced on May 25 that it signed a Memorandum of Understanding (MOU) with the local government in Wuxi to establish a polarizer film factory. Polarizer films are attached to LCD panels, and they control pixel density and color by allowing or blocking light. They are core materials of the screens used in numerous devices like TVs, laptops, or smartphones.

The facility is expected to produce 30 to 40 million m² polarizer films per year, which could be used in 20 million to 30 million 48-inch LCD TVs. The Korean company is going to invest 200 billion won (US\$182 million) in the plant, aiming to finish construction by the latter half of 2016 and start mass-production by the end of next year.

Once the 2nd facility is completed in Wuxi, the company will be able to double the production of polarizer film. Currently, Samsung SDI is operating three local production lines at one hundred percent capacity.

The firm is planning to target the Chi-

nese market by building a manufacturing base in the country, stemming from an increasing demand for polarizer films amid the rapid growth of the TV and display industries. According to Samsung SDI, the size of the global polarizer film market is expected to grow 6 percent per year, from 312 million m² in 2014 to 425 million m² in 2020. The Chinese market, in particular, is predicted to grow more than 16 percent a year during the same period.

Meanwhile, Samsung SDI has started strengthening its competitiveness in the polarizing film business. A polarizer makes a screen clear and vivid by restricting the plane in which light waves vibrate.


This is why polarizing film is considered a key material to produce display panels. In fact, it accounts for nearly 10 percent in the production cost of display panels. According to market research institute IHS, the size of the global polarizing film market reached about 10 trillion won (US\$9.16 billion) as of 2014.

According to related industry sources, Samsung SDI is considering the extended application of polyethylene terephthalate (PET) polyester film, which is currently being used to produce only 32 inch

(81.28cm) to 55 inch (139.7cm) TVs, to different models, including monitors.

In 2012, Samsung SDI developed a technology to replace polarizing film's core material, triacetate cellulose (TAC), to PET, and used the technology in its TVs. A TAC film, which is used on existing film cameras, is cost ineffective. Since it is vulnerable to moisture, the film is inappropriate for long-term transportation, like crossing the ocean in display panels.

Accordingly, Samsung SDI developed a new material for polarizing films using PET films, which are resistant to moisture and have relatively low production cost. Polarized PET film boasts a sixtieth higher performance than existing polarized TAC film in water vapor transmission rate, a measure of the passage of water vapor through a substance.

Samsung SDI got into the polarized film business after taking over Ace Digi-tech in 2007. Since the acquisition, Ace Digi-tech built and operated a third production line to manufacture TVs mainly from smaller products in 2010. In 2011, the company merged with Ace Digi-tech and incorporated the Cheongju plant in a bid to improve business efficiency. 

by Cho Jin-young

Talking Together

Hyundai Mobis Spreads Advanced Tech to Global Distributer Outlets

Hyundai Mobis announced on May 21 that it is holding a conference for 300 employees, including heads and managers from major excellent distributor outlets at home and abroad, in a bid to encourage further accomplishments and seek future development directions from May 19 to 23.

The conference is being attended by representatives from a total of 50 countries. In consideration of geographic locations, Hyundai Mobis has invited representatives from 42 sales outlets of the Central and South American region to Columbia, 31 outlets of the Asia-Pacific region to Hong Kong, and 220 domestic outlets to Jeju Island. The company holds

this event every year in order to strengthen communication with its outlets located in the country and overseas, and increase service quality for the supply of its genuine parts.

The measure has come up to boost trust with heads of its distributors by meeting them and to expand support by listening to any difficulties they may have. In particular, the conference plays a huge role in activating interchanges between distributors at home and abroad, and encouraging mutual growth. The participating agency heads present their own management expertise and ideas in the conference. During the conference this time, the management activities of a total



Hyundai Mobis personnel pose for a photo with the heads of its distributor outlets at the 2015 Asia-Pacific Parts Conference held in Hong Kong.

of 11 distributors – three from the Central and South American region, four from the Asia-Pacific region, and four from Korea – will be introduced as best practices.

An official from Hyundai Mobis said, “The ultimate objective of the event is to improve customer satisfaction all over the world for the use of genuine parts. We will actively support parts distributors so that they can offer better services to our customers. By doing so, we will contribute to improving the global brand value of Hyundai-Kia Motors as well as reinforcing its competitiveness.” **by Jung Min-hee**

Overseas Synergy

Korea Eximbank Becomes Seoul National University Hospital's Financial Coordinator for Overseas Expansion

The Export-Import Bank of Korea (Korea Eximbank) announced that it signed a memorandum of cooperation with Seoul National University Hospital to establish a strategic cooperative relationship for the overseas expansion of the hospital.

On May 14, Korea Eximbank President Lee Duk-hoon and Seoul National University Hospital President Oh Byung-hee met at Seoul National University Hospital in Jongno-gu, Seoul, to sign the agreement. It includes articles to exchange mutual information for effective plans for the overseas expansion of Seoul National University Hospital, to jointly discover promising business, and to provide effective financial support for new business.

Integrating Korea Eximbank's expertise of financial support for overseas projects with Seoul National University Hospital's operational know-how for a world-class medical system, this agreement was signed to create synergy effects.

The two organizations, which repre-

sent the financial and medical sectors, can now establish the close cooperative system from the early stage of the overseas expansion in the medical area.

With comprehensive and efficient cooperation between the two organizations, Korea Eximbank will provide active financial support in development projects to establish its university hospital abroad, consignment management on global leading hospitals, and export of the medical information system.

Korea Eximbank President Lee Duk-hoon said in the signing ceremony, “The medical industry is the area that creates high added value and has high employment effect when it successfully taps into the global market. With the agreement, Korea Eximbank will serve as a reliable financial partner so that Seoul National University Hospital can become the global leading player in the medical industry.

Until now, Korea Eximbank has offered a total of 1.0861 trillion won (US\$995.24 million), including export



Korea Eximbank and Seoul National University Hospital (SNUH) concluded an MOU for cooperation in overseas businesses. Standing center left is Lee Duk-hoon, CEO of Korea Eximbank; center right is Oh Byung-hee, CEO of SNUH.

financing and EDCF, to 29 projects from 14 countries, such as Vietnam, Indonesia, and Honduras, in a bid to help Korean medical institutions make inroads into the global market.

Seoul National University Hospital was selected as the consignment operator for Sheikh Khalifa Specialist Hospital in the UAE in July last year. Also, it exported the next generation medical information system to six hospitals under the Ministry of National Guard of Saudi Arabia last month, leading the overseas expansion of Korean medical system. **by Jung Min-hee**

Construction Awards

Hyundai Engineering & Construction Wins Awards from BCA Awards 2015


Hyundai Engineering & Construction (HEC), a subsidiary of Hyundai Motor Group, won awards from the BCA AWARDS 2015, which is held by the Building and Construction Authority (BCA) of Singapore, HEC said.

First, in the Quality Excellence Award sector, HEC won the "GOLAD PLUS" award for its high quality construction in Singapore for the last five years, HEC said.

Second, in the Quality Excellence Award sector, HEC won the Construction Excellence Award and Construction Productivity Award, the company said.

Thirdly, HEC won the Construction Excellence Award for its Asia Square Tower 2, and the Construction Excellence Merit for its NV Residence in the commercial and residence sectors, respectively, HEC said.

Fourth, in the Construction Productivity Award sector, HEC won "GOLD PLUS," the highest honor, for its "Specialist Shopping Center" and Asia Square Tower 2, the company said.

An official of HEC said that the company will pursue more overseas construction projects. 

by Lee Song-hoon



Asia Square Tower 2, constructed by Hyundai Engineering & Construction in 2013.

Reaching Out

Kumho Tire to Enhance Partnership with Yokohama Rubber



Kumho Tire will enhance its partnership with the Yokohama Rubber Co., Ltd., Kumho Tire said.

Both companies began to discuss the supply of original equipment manufacturer (OEM) parts, Kumho Tire said on May 17. The companies concluded a strategic coalition for research and technology last May, and are co-developing futuristic tires, Kumho Tire said.

An official at Kumho Tire said both

companies are discussing supply scale, quantity, and supply start time, as well as the gradual increase of supply quantity in accordance with Chinese factory order trends and demand for OEM products. The supply will be immediately available this year if the partnership progresses fast, the official said.

Kumho Tire expects that the supply contract with Yokohama Rubber Co., Ltd will be helpful for improving the utiliza-

tion of its Chinese factories, Kumho Tire said. As the U.S. decided this year to charge anti-dumping tariffs to tires made in China, which may decrease the capacity utilization of factories in China, Kumho Tire plans to increase the utilization of its Chinese factories by OEM supplying, which will enhance its coalition with Yokohama Rubber Co., Ltd, Kumho Tire said.

Kumho Tire recently decided to move to its factory in Nanjing, China by 2016, the company said. The company plans to build an advanced eco-friendly factory, which will high quality tires with advanced facilities and technologies in accordance with market demands, which will enhance the companies' products made in China, it said. 

by Lee Song-hoon

Incheon Airport Consults Istanbul

Incheon Airport is Priority Bidder for Operation Consulting of Istanbul's New Airport Project



Park Wan-su (left), CEO of IIAC, and Thomas Woldbye (right), CEO of the Copenhagen Airport discussed new Istanbul airport project on May 18.

The International Incheon Airport Corporation (IIAC) has become a priority bidder for operation consulting company selection for the “Istanbul’s new airport project,” the IIAC said on May 18.

The consulting project’s scale is 10,869,200 euros (US\$12.1 million), arranged by Turkish IGA. The project includes airline marketing, development of free trade regions, information technology strategy development, organization establishment and education, trial operation of the airport, and operation of the new airport, including consulting commercial facilities development, IIAC said. The contract is valid until Sept. 2020, IIAC said.


IIAC organized a consortium with Denmark’s Copenhagen Airport, where the contract rates of IIAC and the Copenhagen

Airport are 57 percent and 43 percent, respectively, the IIAC said.

The new Istanbul airport is planned to open at the end of 2017, replacing the existing Atatürk Airport dealing with about 60,000,000 passengers annually, the IIAC said.

IGA is a consortium of five private Turkish companies, which is managing the 27 trillion won (US\$24.6 billion) new airport project in the BOT business approach, IIAC said.

The passenger-handling capacity of the new Istanbul airport will be 90 million in the first stage and 150 million in the second stage, which will be the world’s largest scale, IIAC said.

Park Wan-su, CEO of the IIAC, said that the IIAC plans to pursue further opportunities in the global market. 

by Oh Seung-mock

Volume Model

Ssangyong Motor Pres. Says Union's Cooperation Needed for Tivoli to Become 'Volume Model'



A Ssangyong Tivoli.

Ssangyong Motor's long time dream has come true. The annual sales of the Tivoli compact sport utility vehicle (SUV) are expected to top 100,000 units next year, a significant number for a single car model. It has been 62 years since Ssangyong Motor was established in 1954.

There is a lot of work that the company will have to do. Along with the expansion of the global network, the company needs to urgently reset its production line in order to reinforce its supply. In this process, the union's cooperation is desperately needed.


"The sales demand of the Tivoli is rapidly growing faster than expected. The company has raised its sales target this year to 60,000 units," said Ssangyong Motor President Choi Johng-sik during a press conference before the Global Media Conference held in Rome, Italy, on May 27 (local time).

The figure is up 65 percent from the annual sales target of 38,000 units that the company announced earlier this year. As the demand of the Tivoli has increased at home and abroad, Ssangyong Motor raised the annual sales target to 35,000 units at

home and 25,000 units in overseas markets.

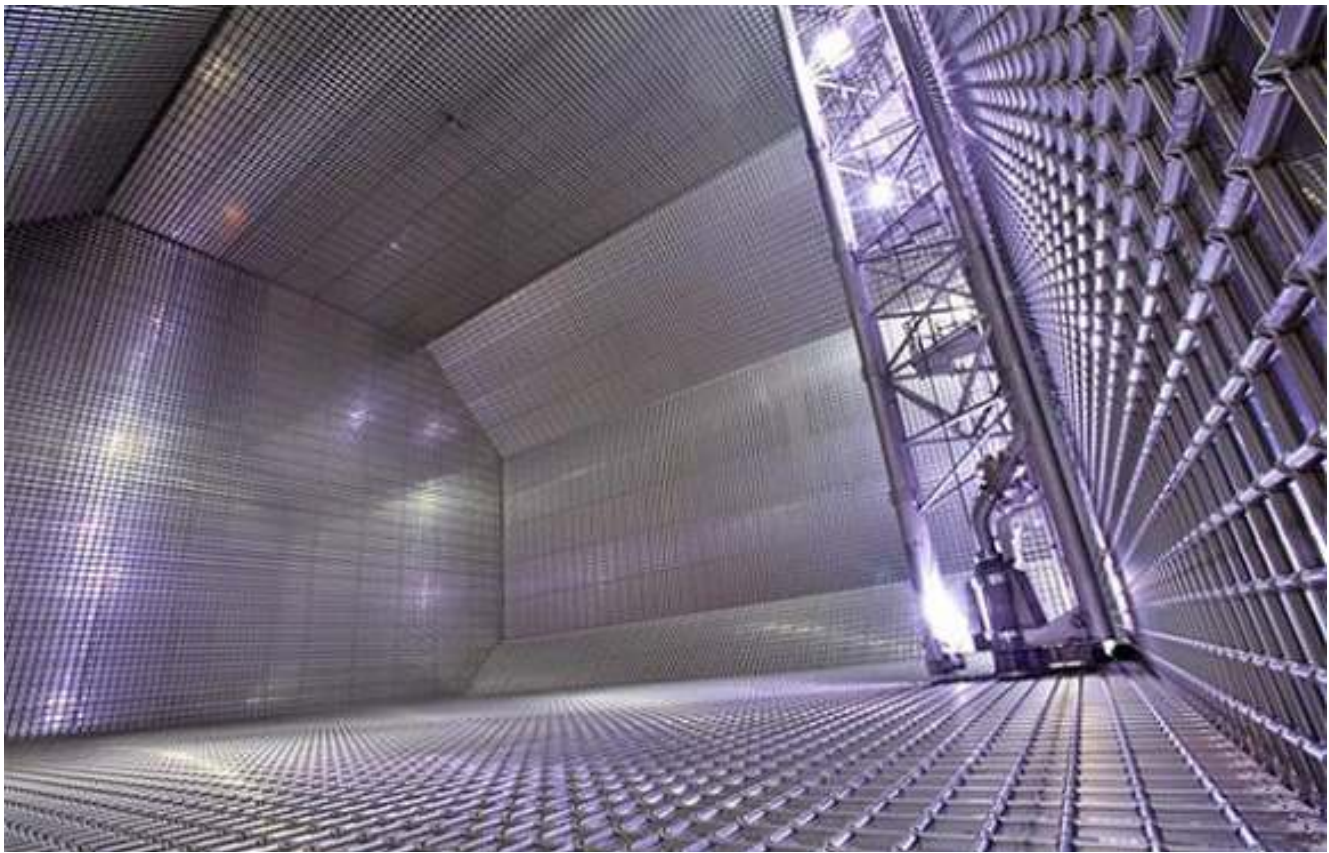
President Choi expects that the Tivoli will see annual sales of 100,000 units next year when the company additionally launches its diesel and long-body versions. It means that the Tivoli will become a "volume model" for the company. In order to become a volume model in the auto industry, 100,000 units of that model should be sold. Only the model with sales of 100,000 units is considered to have market recognition.

Ssangyong Motor is targeting the European market. From the early stage of development, the traits and various demands in the European market were reflected to develop the Tivoli. Since the model belongs to the B-segment (subcompact car), which shows the most remarkable sales growth in Europe, the company believed that it has enough chance to win in the European market.

In fact, the sales of the SUV-B segment in Europe last year grew 49 percent to 690,000 units from a year earlier. Accordingly, the market share of the subcompact SUVs increased from 22 percent to 27 percent in the entire SUV market.  by Jung Min-hee

New Material For Tanker

DSME, POSCO Developed New Material for LNG Storage Tank




High manganese steel.

Daewoo Shipbuilding & Marine Engineering has succeeded in developing high manganese steel for use in LNG storage systems. The company explained that the new development would contribute to the diversification of LNG storage system materials and the comparative advantage of the Korean shipbuilding industry against those of Japan and China.

At present, ultra-low temperature materials such as aluminum alloys, nickel alloy steel, and stainless steel are mainly used in LNG storage tanks, as LNG has to be transported in a liquefied state at minus 163 degrees Celsius below zero. However, these materials have their own limitations in terms of strength and the ease of processing. Besides, they contain an amount of nickel that

is too expensive for price competitiveness to be ensured.

Meanwhile, manganese is much cheaper yet has ultra-low temperature properties. The unit cost of manganese is approximately 53 percent of that of an aluminum alloy, and a manganese-based LNG storage tank can be produced at 56 percent of the cost of an aluminum alloy-based one.

Daewoo Shipbuilding & Marine Engineering has worked on the high manganese steel since November 2010. The company is planning to apply the steel to the stand-alone LNG storage tanks it recently developed on its own, which are scheduled to be mounted on LNG carriers and FPSOs. 

by Jung Suk-ye

Innovative Telecommunication Technology

SK Telecom Wins Most Innovative Telecom Project Award

SK Telecom won the Most Innovative Telecom Project (MITP) award on May 20 from the Telecom Asia Award (TAA) held in Jakarta, Indonesia, the company said.

SK Telecom could win the Most Innovative Telecom Project award because TAA recognized the company's continuous efforts for LTE technology development, particularly the commercialization of the "3 band LTE-A," which provides a speed of 300Mbps maximum, SK Telecom said.

TTA is held by Telecom Asia, a Hong Kong-based media company specializing in information technology, SK Telecom said. TTA has been awarding Asian companies for providing communication services or technologies, SK Telecom said.

Park Jin-hyo, head of the network technology institution of SK Telecom, said that the company will continually innovate its network technology, with ambitions of being the world's representative mobile communication company.

Meanwhile, in a consortium with academic and research institutions, SK Telecom is to establish the nation's first underwater communication network. The company announced on May 24 that it established a consortium with local universities and research institutions to undertake the national research project initiated by the Ministry of Maritime Affairs and Fisheries and develop maritime technology over the next seven years. The project is dubbed "Distributed Underwater Monitoring and Control Network" as part of the maritime equipment development and infrastructure construction.

The underwater control network, which will be developed by the consortium, will collect various underwater



Gyu-seong (right), head of the AN Lab of the network technology institute of SK Telecom, received the Most Innovative Telecom Project award for the company's commercialization of the "3 band LTE-A", from the Telecom Asia Award event held in Indonesia.

information using sensors and send it to land through base stations in the water. The collected information can be used for maritime weather observation and ecological environment analysis, keeping track the shipping industry including route information of vessels, and for national defense of territorial waters.

Also, these underwater networks will allow not only more accurate prediction of maritime climatological observation and natural disasters by detecting sea temperature, currents, and seismic waves, but also quick response to ship accidents.


The national project is broadly divided into three areas – the development of underwater sensor nodes that can work for long hours underwater, and communication technology between stations, the design of an idealized underwater network for accurate wave propagation in the water, and the construction of a central integrative network in a bid to unite the communication networks of the land and sea.

As marine territory is becoming more focused on between nations, the Kore-

an government and the consortium are expecting to have a strong foundation to compete against countries with advanced underwater networks through this first national underwater network construction project.

In fact, major advanced countries are actively seeking to develop "Internet of Underwater Things" to strengthen maritime territorial sovereignty and develop marine areas.

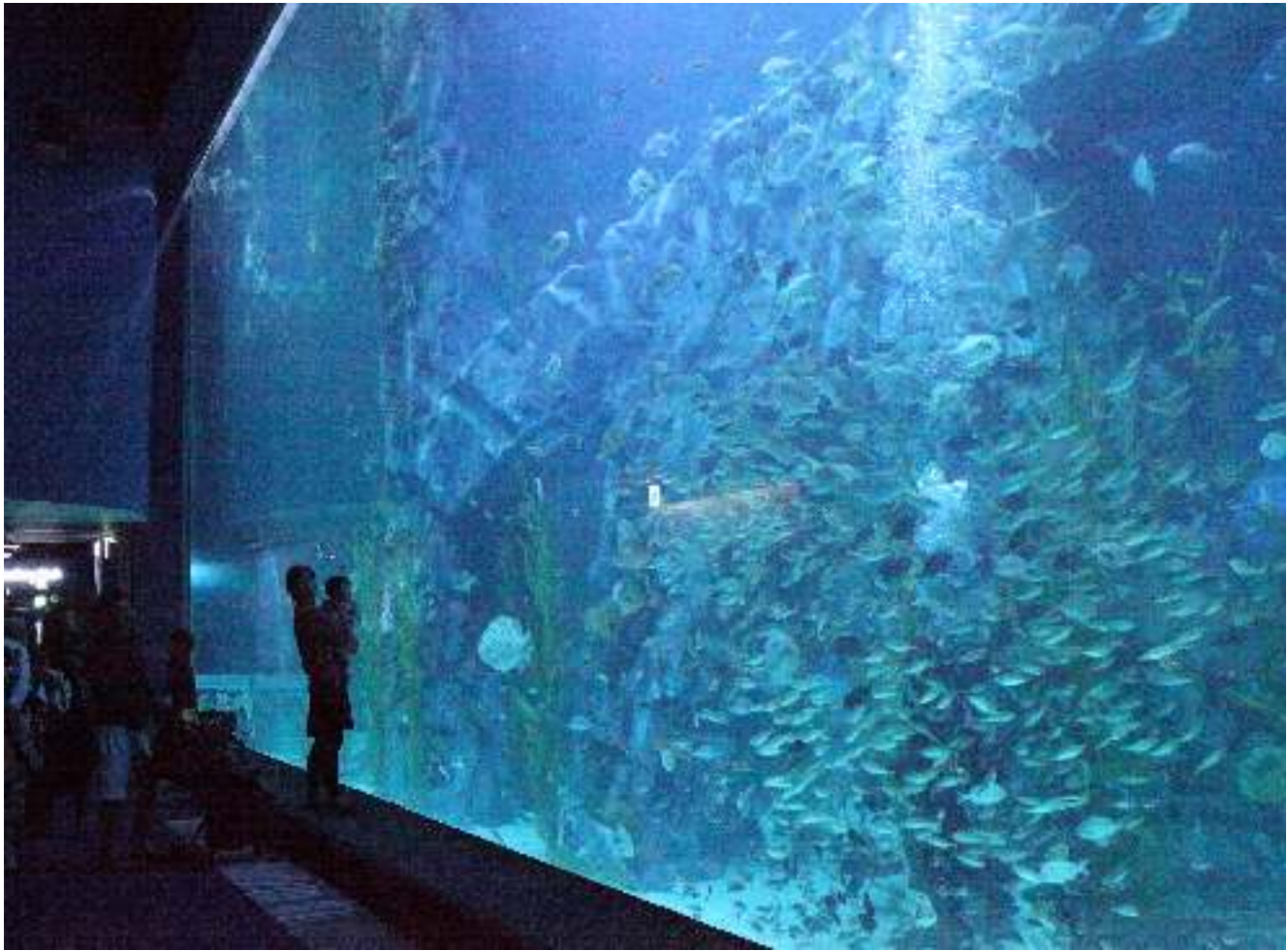
The U.S. has pushed for a maritime observation network since it developed an underwater communication modem in 1985. The European Union is also conducting several related projects, including the development of submarine monitoring technology using sonar.

Moreover, Japan has been working on submarine research focusing on a submarine earthquake detection network. Accordingly, Korea should also strengthen research on marine communication from various angles, not only of academic value but also industry and national defense. 

by Lee Song-hoon

Movies, Fish, Concerts

Lotte World Mall Rebuilt as Multi-use Cultural Place



Lotte World Mall's aquarium has about 650 species. (Photo via Lotte World Mall)


Lotte World Mall has been rebuilt as a multi-use cultural place, since the aquarium and cinema reopened on May 9, according to a mall representative.

Lotte World Mall expects that there can be more than 20,000 visitors when the cinema with about 4,600 seats operates at normal capacity. It expects 4,000 visitors to the aquarium, too. It also expects 5,000 foreign visitors per day to its tax-free shop.

The aquarium provides various experiences such as feeding coy fish and presentations on white whales, beluga, penguins, and sea lions. It has about 650 species and the country's longest underwater tunnel, it said.

"Superflex G," the 21 screen cinema, has the world's largest

screen (34m x 14m), which was listed on the Guinness Book of World Records last July.

Lotte World Mall is also building a concert hall, planning to open it in 2016. In addition, it will establish the Lotte cultural foundation, investing over 16 billion won (US\$14.6 million) annually for classical music. Lotte is investing 120 billion won (US\$109 million) in the concert hall which will have 2,036 seats. The concert hall will be the country's first orchestra-specialized hall with a 5,000 pipe pipe organ. The concert hall will be designed in the vineyard style where the audience sits around a stage. 

by Lee Song-hoon

Hallyu Growing

CJ E&M Leads Drama Wave in Southeast Asia

South Korea's leading content and media company CJ E&M (CEO Kim Sung-su) announced that it signed a deal with Malaysia's 8TV and Singapore's largest pay TV operator StarHub to sell its original dramas and to form a drama block. They will each air over 200 hours of drama content produced by CJ E&M.

As Malaysia's 8TV already started airing "The Incomplete," called "Mi-saeng" in Korean in January, at 10:30 pm every Thursday and Friday, the drama has earned favorable reviews. Also, the channel has started airing "The Dogged Gu Hae Ra," or "Chiljun Palki Gu Hae Ra" in Korea, from March, which has also gained in popularity. 8TV plans to provide other Korean dramas to viewers in the future as well. Starting from May 31, Singapore's VV Drama will air drama series of CJ E&M at 9:30 pm on every Sunday.


Seo Jang-ho, the head of CJ E&M's content sales department, said, "Both



A shot of some contestants on Sing Again Hera Gu, from CJ E&M

broadcasting companies in Malaysia and Singapore introduced overseas content in the short term before. However, it is exceptional to air dramas produced by a single broadcasting company at a specific time zone, and the first in history for Korean broadcasting companies. As we have formed a fixed block at the prime time belt, the company will make efforts to spread Hallyu and expand busi-

ness areas in the Southeast Asian markets through strengthening the partnership with 8TV and StarHub in the future."

Meanwhile, 8TV is the representative terrestrial channel under Media Prima, the largest media company in Malaysia, and StarHub TV is Singapore's largest pay TV operator that carries over 200 channels in 540,000 households. 

by Jung Suk-yeek

Home Shopping

CJ O Shopping Enters Mexican Market



South Korean CJ O Shopping will launch a home shopping channel, "CJ Grand Shopping," in Mexico at the end of this June, targeting the country's 11 million households, CJ O Shopping said on May 26.

CJ O Shopping and the Televisa group, a Mexican media company, established a joint-stock company, "Televisa CJ

Grand," for their home shopping business in Mexico, CJ O Shopping said. The total capital invested for Televisa CJ Grand is US\$23 million, half of which is from each of the two companies, CJ O Shopping said.


CJ O Shopping will be responsible for the operation of home shopping, and Televisa will be responsible for marketing and channel operation, CJ O Shopping said.

Seo Jang-won, an executive of the management strategy sector of CJ O Shopping, said that Mexico is a "strategic

point of the company's global growth."

The company described its entry to the Mexican market as a "bridgehead" for its advance to Central, South, and North America.

The company plans to increase its overseas billings up to 50 percent by 2017 from 38 percent of 2014.

Byeon Dong-sik, CEO of the company, said the company will also "support" South Korean small and medium-sized companies' advance to the Mexican market as retailers.  by Oh Seung-mock

Field Management

Christopher Koo, Chairman of LS, Manages His Company's Field in China



Christopher Koo (2nd from right), LS group's chairman, visits the production corporation of LSIS in the Wuxi industrial complex on May 14.

Christopher Koo, chairman of LS, visited LS Wuxi industrial complex 2 hours away from Shanghai in order to develop strategic solutions for China's recent economic policy change, searching for business opportunities in new areas such as smart factories.

Chairman Koo and eight directors of the company participated in the regular council held in Wuxi, China from May 14 for three days. They were informed about the company's Chinese business status, and then encouraged the staff of the factories of LS Cable & System, LSIS, LS Mtron and Daesung Electric.

The Wuxi industrial complex, established by LS in 2005 for the company's overseas entry, has factories of LS Cable & System, which manufactures electric wires of cars, LSIS which manufactures automation equipment, LS Mtron which manufactures extruders, and Daesun Electric which manufactures an anti-lock braking system (ABS) and switches for cars.


The LS Group has expanded its business cooperation with

China via acquisitions of potential Chinese companies as well as establishing research and development (R&D) centers and production and retail corporations in Beijing, Shanghai, Qingdao, and Dalian.

The sales of LS Group's business in China have grown to US\$686 million last year from US\$83 when it was established. From this year, the company plans to maximize its profitability.

Koo also met Wang Quan (王权), mayor of Wuxi City, and the city's officials. They agreed to continually enhance their partnership.

Chairman Koo said that LS will expand its business cooperation with Wuxi to the energy efficiency area such as smart factories, which may help Wuxi develop as a central city of China's industrial development.

The LS group expects its business cooperation with China to expand further in the energy efficiency sector such as smart factories, smart grids, and renewable energy.  by Lee Song-hoon

Different Prescription

Experts Give Differing Advice on Lowered Economic Growth Rate

The Korea Development Institute (KDI) adjusted its Korean economic growth forecast for this year from 3.5 percent to 3.0 percent on May 20, in view of the likelihood that the stagnation in exports will continue, although domestic consumption will show a gradual recovery based on an increasing investment.

"It is predicted that the slowdown of the emerging economies, including China, and the depreciation of the yen and the euro affecting Korean exporters' price competitiveness will result in an export increase of no more than 1.1 percent and 2.9 percent in 2015 and 2016, respectively," it explained, adding, "The consumer price is estimated to go up by just 0.5 percent this year and 1.4 percent in 2016."

The KDI also warned that the economic growth rate might dip below 3 percent unless the government's restructuring plan and fiscal and monetary policy worked as intended. "The other potential negative factors include the delay of the recovery of the European economy and mounting uncertainties attributable to an interest rate hike in the United States," it continued.

Earlier on April 9, the Bank of Korea had cut its forecast by 0.3 percentage points to 3.1 percent. Likewise, the International Monetary Fund (IMF) lowered its estimate from 3.3 percent to 3.1 percent last month.

In the meantime, the Korean Economic Association held a symposium on May 15 under the theme of challenges to and solutions for the Korean economy.


At the symposium, Park Myung-ho, head of the Center for Long-term Fiscal Projections of the Korea Institute of Public Finance, said that current national finance is not sustainable in that the managed fiscal balance is increasing its deficit, and the government needs to make



efforts to increase tax revenues and spend its resources with greater efficiency while overhauling social security spending in view of the pace of aging and low fertility. "The ratio of social security spending to GDP reflecting population dynamics is estimated to soar from 9.6 percent to 29.0 percent between 2012 and 2060, to exceed the OECD average by approximately 50 percent," he explained, adding, "Various pensions plans have to be reformed along with social security spending in the medical sector for us to be capable of tackling a fiscal cliff."

Korea Institute for Industrial Economics & Trade Director Kim Do-hoon expressed concerns over China's emergence. "Last year, Xiaomi's mobile market share in China exceeded that of Samsung Electronics, and this means Chinese companies now have technological strength, not to mention a cheap labor force," he said, continuing, "This situation can be addressed when Korean companies, not the government, are allowed to lead the growth of new industries." He also pointed out that the lack of technology buyers is one of the biggest reasons for the slow progress of the so-called creative economy held up by the government.

Korea Labor Institute Chairman Lee In-jae warned that an employment cliff might appear next year with the extension of the retirement age put into force. "Labor market restructuring is an urgent matter, and examples of the specific measures for it can include a three-day work week, wage peaks for full-time workers, and real wage adjustments based on labor turnover," he advised.

Lee Il-hyung, head of the Korea Institute for International Economic Policy, mentioned the internationalization of the Korean currency without delay for its resistance to external impacts. "Quantitative easing has caused the U.S. stock market to be overheated, and Korea is likely to be significantly affected when the bubble bursts, because a lot of DLS associated with the market have been sold in it," he explained, adding, "The global standing of the Korean currency has to be raised for the shock to be minimized." He mentioned specific ways to reach this goal such as an increased use of the won in international trade and the utilization of China based on the Korea-China FTA and Korea's accession to the Asian Infrastructure Investment Bank. 

by Jung Suk-ye



South Korea's monthly current account surplus reached the third highest in history in March, extending its surplus streak to its 37th straight month, data showed. This is largely due to the decreased amount of related imported items from the fall in international oil prices. However, some express concerns that the strong won can weaken competitiveness in exports as the dollar inflows into the country.

According to the Bank of Korea (BOK) on May 4, the current account surplus came to US\$10.39 billion (11.23 trillion won) in March. The figure increased by more than 60 percent from the US\$6.44 billion (6.96 trillion won) surplus of the previous month. The current account surplus reached US\$6.58 (7.11 trillion won) in January and US\$6.44 billion (6.96 trillion won) in February. Accordingly, the current account surplus in the first quarter increased by US\$8.23 billion (8.9 trillion won), or 54.2 percent, to US\$23.42 billion (25.31 trillion won) from the US\$15.19 billion (16.42 trillion won) of a year earlier. Some say that it is a "surplus from the economic recession," as imports fell at a much faster clip than exports increased. According to the analysis of the BOK, however, the surplus amount

last one year was largely due to the drop in international oil prices.


As of the first quarter, the exports of petroleum products rapidly dropped by US\$5.2 billion (5.62 trillion won), or 38.7 percent, to US\$8.23 billion (8.9 trillion won) from US\$13.43 billion (14.52 trillion won) year-on-year. During the same period, oil imports declined more sharply than exports. Oil imports in the first quarter this year decreased by US\$11.56 billion (12.5 trillion won), or 46.5 percent, to US\$13.29 billion (14.37 trillion won) from US\$24.85 billion (26.86 trillion won) a year earlier. Oil imports during the same period nearly halved to US\$4.12 billion (4.45 trillion won) from US\$8.48 billion (9.17 trillion won) a year ago. Combining oil and petroleum products, the figure is short by US\$15.92 billion (17.21 trillion won) in the first quarter from the same time last year. Excluding US\$5.2 billion (5.62 trillion won) from the figure, which came from exports, approximately US\$10 billion (10.81 trillion won) was the surplus caused by lower international oil prices. It is a similar scale to the total current account surplus increment in the first quarter.

As Korea has recorded a current account surplus, dollars are flowing into

the country. In turn, the won is getting stronger. Two years ago, when then Federal Reserve Chairman Ben Bernanke suggested the end of quantitative easing for the first time, Korea was the only country among major emerging countries that saw an increase in the real effective exchange rates.

According to Samsung Securities, the real effective exchange rates of the Korean won in March increased 11.2 percent to 113.46 from 102.01 in April 2013, before Bernanke made a remark after analyzing the data of the monthly real effective exchange rates from the Bank for International Settlements (BIS).

Among the 26 major countries, only three countries – China with 14.3 percent, the U.S. with 13.4 percent, and the U.K. with 12.8 percent – showed a higher growth rate of the real effective exchange rates than Korea in the last two years.

The real effective exchange rates of the Russian ruble decreased as much as 27.1 percent, while Brazil, Australia, and Canada showed a 20.6 percent, 15.9 percent, and 14.5 percent decline. The rates of the Japanese yen also decreased as much as 11 percent, in which the country has implemented the weak yen policy through Abenomics.  by Jung Suk-ye

Korea's Intellectual Property Trade Deficit Exceeded US\$6 Billion in 2014



The Korean Intellectual Property Office and the Bank of Korea announced on May 12 that the amount of intellectual property transactions that Korea was engaged in last year totaled US\$23.54 billion, with the deficit in intellectual property trade amounting to US\$6.17 billion.

Korea has recorded an intellectual property trade deficit since 2010. However, the size of the deficit has decreased during the period, starting from US\$10.34 billion in 2010. Between 2013 and 2014, the deficit declined by US\$1.99 billion. The red figures regarding copyrights was reduced from US\$2.81 billion to US\$1.21 billion between the two years, to result in overall improvement.

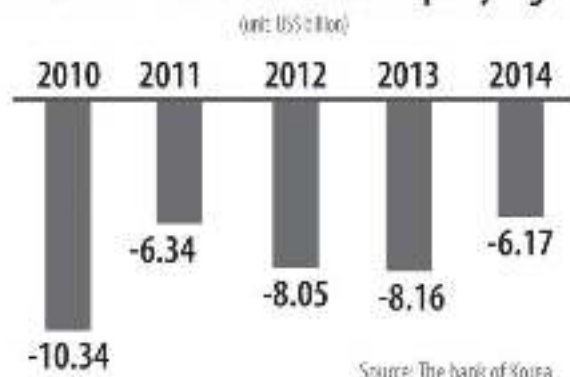
The deficit relating to the copyrights of music and videos went down from US\$3.42 billion to US\$2.17 billion, while the surplus relating to those of the R&D products and software, including games, increased by US\$220 million to US\$1.05 billion. trade balance of intellectual property rights.jpg The trade balance of intellectual property rights is still negative, but decreasing. The deficit added up to US\$3.4 billion with regard to patents and utility models and US\$860 million for trademark rights. Meanwhile, a surplus of US\$710 million was achieved with computer program copyrights. The surplus has mounted since 2011.

Small and mid-size companies showed a US\$990 million intellectual property trade surplus, which was equivalent to 11 times the amount recorded in 2010. On the contrary, larger corporations remained in the red by posting a US\$4.26 billion deficit.

The red-ink figure was at US\$4.6 billion in the electrical and electronics product manufacturing sector. The amount is equal to 1.9 percent of the combined annual sales of Samsung Electronics and LG Electronics for 2014. However, the auto manufacturing sector and the group covering publishing, visual entertainment, broadcasting communications, and information services posted a surplus of US\$800 million and US\$440 million, respectively.

The deficit against the United States reached US\$5.95 billion last year due to the high dependence in the fields of patents and trademarks, followed by those against Sweden (US\$970 million), Britain (US\$720 million), and Japan (US\$280 million). Meanwhile, Korea recorded a surplus of US\$2.23 billion in its intellectual property trade with China, more than doubling the amount in four years. ⁸⁸

Trade Balance of Intellectual Property Rights



Source: The bank of Korea

The trade balance of intellectual property rights is still negative, but decreasing.

by Jung Suk-yeo

Poor Performances

500 Leading Korean Companies' Sales, Profits Dropped Last Year



According to market research firm CEO Score, the top 500 Korean companies' combined sales and operating profits decreased by 4.4 percent and 10.2 percent to 2.527945 quadrillion won (US\$2.317847 trillion) and 125.767 trillion won (US\$115.314 billion) between 2013 and 2014, respectively.


Samsung Electronics' operating profits declined by 32 percent to 25.025 trillion won (US\$22.945 billion), while those of Hyundai Motor company fell 9.2 percent to 7.55 trillion won (US\$6.92 billion), Kia Motors 19 percent to 2.573 trillion won (US\$2.359 billion), and the Korea Gas Corporation 28 percent to 1.072 trillion won (US\$982.9 million). SK Innovation, Hyundai Heavy Industries and GS Caltex posted 231 billion won (US\$211 million), 3.2495 trillion won (US\$2.9794 billion), and 456 billion won (US\$418 million) in operating losses.

The sales of the IT, the electrical and electronics industry decreased by 7.5 percent to 397.033 trillion won (US\$364.036 billion), and its profits plummeted by 26.6 percent to 35.546 trillion won (US\$32.592 billion). The figures reached 297.929 trillion won (US\$273.168 billion) and 3.372 trillion won (US\$3.0918 billion) for the petrochemical industry, with a rate of decrease of 13.5 percent and 65.5 percent each.

The automobile and auto parts industry recorded 268.192 trillion won (US\$245.902 billion) and 17.634 trillion won

(US\$16.168 billion), with the sales and profits falling 0.5 percent and 12.6 percent, respectively. The shipbuilding, facility, and machinery sector's losses amounted to 3.303 trillion won (US\$3.028 billion), although the decline in sales was limited to 0.8 percent.


Still, the 10 sectors, including insurance and steelmaking, increased their sales and profits alike. The sales and profits of the insurance industry showed a 9.3 percent and 23.3 percent increase, to 204.225 trillion won (US\$187.252 billion) and 7.212 trillion won (US\$6.611 billion) each, while those of the construction sector went up by 7.3 percent and 4,654.9 percent due to the base effect. Those of the steel industry rose by 1.6 percent and 11.5 percent, too. The other seven sectors are general trading, food and beverage, service, securities, daily supplies, credit finance, and pharmaceutical.

Twenty-one out of the 500 companies are associated with the Samsung Group. The number is 18 for each of the Hyundai Motor, SK and Lotte Groups, 14 for LG, 10 for each of POSCO and GS, nine for each of Hanwha and LS and eight for CJ. The number decreased by one for each of Hyundai Motor, Samsung, SK and POSCO, whereas it increased by one for Lotte, Hanwha, and LS. Two GS subsidiaries joined the ranks last year. 

by Jung Suk-ye

Infrastructure Expansion

Backbone of the Internet of Things Coming to Korea



LEDs are all that is visible of a server rack in Digital Realty's data center in Singapore.

by Matthew Weigand

“Yes, absolutely we’re eyeing Korea,” says Daryl Dunbar, managing director of Asia Pacific for Digital Realty, in the conference room of the company’s oldest and largest Asia Pacific data center in Singapore. He goes on to explain that it is a simple choice, due to the number and amount of customers from South Korea that they already serve in their existing data centers throughout the U.S., Europe, and Asia Pacific. He declines to name many specific customers directly for security reasons, but says that their existing relationships have given them good market intelligence about possibilities in the country, and they are hopeful to expand their offerings to the Land of the Morning Calm.

Digital Realty is one of those companies that you don’t often hear about, but is essential to modern civilization. They describe themselves as a real estate company, but the real estate that they sell houses the nerve centers of multinational banks, international corporations, and the most robust of online services. They make data centers for companies that need at least 20 racks, or usually entire rooms, of the latest and greatest in server hardware humming along without ever a hitch happening to them. They are the house in which “The Cloud” lives; the great Internet album where all the cat pictures are stored; the vault in which all that digital currency resides. And they are the backbone of the coming Internet of Things revolution.

“The Internet of Things is all about a connected world; its all about connectivity,” says Daryl. “From our perspective, even if every device is talking to every other device, there’re still databases, servers, services, platforms that have to exist to service the Internet of Things communicating from machine to machine. And so that is going to continue to live in data centers.”

The company has 130 data centers around the globe that they are currently operating. While only eight of those are active in the Asia Pacific region, the number is rapidly increasing. They are currently developing sites in Melbourne and Sydney, Australia, and also have a location in Osaka, Japan under development. And they brought BusinessKorea to visit them in Singapore on the occasion of opening a new data center on the other side of the island.

The company has both built data centers from scratch and re-purposed existing buildings. For instance, they recently opened up a new data center in London, the U.K., that they built from the ground up. And the new data center that they opened in Singapore was previously a re-purposed paper storage building. The 177,000 square foot building has “over four floors, high ceilings, reinforced flooring. It just screamed perfect for us,” says Dunbar. He says that the company saved a lot of time refurbishing the existing building than they would have spent creating something



Three levels of electrical generators ensure that the computing equipment remains online even in the event of a city-wide power outage at Digital Realty's data center in Singapore.




A nondescript hallway belies the computing power accessible through the locked doors on either side in Digital Realty's data center in Singapore.

from scratch. And it only cost them 200 million Singapore dollars (US\$148 million). Opening this new facility provides about 50 percent more premium data center real estate that they can offer, since their existing facility, the oldest in the Asia Pacific region, is 370,000 square feet on 7 floors.

The company would like to invest in similar projects in the Korean market as well. "We are continuing to invest in the region as a whole," Daryl says, "and I think that Korea is a very important part of that solution." He also emphasizes that the company will be a good opportunity for Korean investors. He points out that Digital Realty was set up as a "Real Estate Investment Trust" in the U.S., and so their primary goal has always been to accept money from investors and return tasty dividends. "We have always returned in excess of 100 percent of our net operating profits to our shareholders," Daryl says.

The specific size and scope of a possible project in Korea is quite variable, too, depending on the needs of Digital Realty's customers in the region. The company approaches the design of each data center from a modular perspective, allowing them to walk the fine line between building too much and building too little at once. For instance, their older data center in Singapore is 7 floors; the first floor is for administration, and the other 6 floors are vertically-stacked data centers one on top of another. Each

floor contains several halls, which can be rented out entirely or by the 20-rack row to discerning companies. However, depending on the climate of the Korean market, Digital Realty could easily build bigger or smaller. "You can't take a product out of North America and drop it wherever and have it function exactly the same," Daryl explains. "It has to change, has to be engineered, has to be designed. We do it modularly. We don't start from scratch every time, but adjust our modular design for specific locations and customer needs."

"Why we wanted to have you visit here is to explain that we are a connected world," says Jihann Pedersen, Asia Pacific marketing director for Digital Realty, continuing, "We have Korean multinationals that are in facilities of ours, data centers of ours in the U.S." She goes on to explain, "We have multinationals that are dependent on global expansion to appease their digital content and cloud needs." The company's consideration of the Korean market is a simple desire to appeal more to their customers, both inside and outside of Korea. "The opportunity for us to do business in this region is still enormous," says Daryl Dunbar. "We've done competitive market analysis location by location." They are always looking to see where the market in general is demanding more infrastructure. And they believe that South Korea is one of those new markets. 

Decrease in Sales

Korean Telecommunications Industry Facing Limits of Growth



Industry analysts are saying that worries about the downsized telecommunications market such as the decreased sales and profits of SK Telecom, KT, and LG U+ became a reality in the first quarter of this year.

Since the telecommunications market is already saturated, it is difficult for mobile carriers to boost sales. An increase in the number of people subscribing to mobile virtual network operators, a consistent pressure on reducing mobile phone rates, and a slump in the market stemming from the implementation of the Terminal Distribution Structure Improvement Act are all considered to be major factors in the contraction of the market.

On May 6, SKT announced that it turned over 4.2403 trillion won (US\$3.9004 billion) during Q1 2015 on a K-IFRS basis. Sales of the nation's largest carrier went up until Q3 2014, as shown by 4.2019 trillion won (US\$3.8670 billion) in Q1 2014, 4.3050 trillion won (US\$3.9600 billion) in Q2 2014, and 4.3675 trillion won (US\$4.0174 billion) in Q3 2014. However, sales started to decrease in Q4 2014 with 4.289 trillion won (US\$3.947 billion), after the implementation of the Terminal Distribution Structure Improvement Act during the period. As a result, sales in Q1 2015 went down for the second straight quarter.

KT and LG U+ are in the same boat as well. Although KT recorded 5.7043 trillion won (US\$5.2470 billion) in sales during Q3 2014, including telephone and mobile phone rates, its sales only amounted to 5.716 trillion won (US\$5.2604 billion) in Q4 2014. The number further dropped to 5.4364 trillion won (US\$5.0006 billion) in Q1 of this year. LG U+ also saw its sales decrease from 2.785 trillion won (US\$2.563 billion) in Q1 2014 to 2.6884 trillion won (US\$2.4729 billion) in Q4 2014 and 2.5502


trillion won (US\$2.3458 billion) in Q1 2015.

An industry source explained, "Either the three mobile carriers are involved in M&A deals or there are other temporary factors. But I think it is the first time that sales have gone down for the second consecutive quarter."

In other words, the telecommunications market is itself downsizing.

Operating profits of the three carriers are also decreasing. Due to intense competition for marketing, SKT's operating profits were merely 252.4 billion won (US\$232.3 million) in Q1 2014. However, it posted operating profits of 546.1 trillion won (US\$502.3 billion) in Q2 2014 and 536.6 trillion won (US\$493.6 billion) in Q3 2014. Following the enforcement of the Terminal Distribution Structure Improvement Act in Q4 2014, the number fell to 490.1 trillion won (US\$450.8 billion) in the period, going down further to 402.6 billion won (US\$370.3 million) in the first quarter of this year.

After scoring 23.8 billion won (US\$21.9 million) in operating profits during Q4 2014, KT's number recovered to 320.9 billion won (US\$295.2 million) in Q1 2015, helped by a large-scale voluntary-retirement program last year. In consideration for operating profits of around 300 billion won (US\$276 million) in Q3 2014, the second-largest carrier was able to maintain profits by reducing labor and marketing costs.

LG U+ also experienced a 17.7 percent quarter-on-quarter reduction in operating profits from 195.9 billion won (US\$180.2 million) in Q4 2014 to 161.2 billion won (US\$148.3 million) in Q1 2015. 

by Cho Jin-young

Identity Question

Establishment of Internet Banks Expected to Gain Momentum



With financial authorities easing the real-name financial transaction system after 22 years, there are many expectations and worries about the financial industry at the same time.

The government's plan for the date and method to implement a non-face-to-face identification system is getting more detailed, and financial companies are welcoming the progress.

Banks, securities companies, asset management companies, savings banks, the National Agricultural Cooperative Federation, the National Federation of Fisheries Cooperatives, the National Credit Union Federation of Korea, the Korea Federation of Community Credit Cooperatives, member cooperatives, and the Central Post Office will all be affected by a change in the system. Insurance companies and credit card companies will be excluded from the change, since non-face-to-face identification is currently possible.


The government's move is widely acknowledged to mark a milestone in revitalizing the sluggish financial technology (fintech) market. Since the biggest stumbling block was removed, the creation of Internet banks is expected to gain momentum. The Financial Services Commission (FSC) is scheduled to announce measures for the establishment of Internet banks in June. Financial companies preparing to open Internet banks are keeping a close watch, and the establishment of related non-face-to-face identification systems is expected to swing into high gear.

Furthermore, the allowance of non-face-to-face identification is likely to go beyond the appearance of Internet banks and to bring about a revolution in the overall practice of financial transactions in the country. The big change is likely to intensify both competition between financial companies and competition

between financial and non-financial companies, ultimately creating a change in the dynamics of the financial industry.

However, some in the industry worry that the implementation of a non-face-to-face identification system might aggravate the problem of identity theft or borrowed-name bank accounts. An official in the financial industry noted, "Under the circumstances that financial fraud is getting more sophisticated, it is possible for criminals to misuse the non-face-to-face identification system as a new window for crimes." The official added, "So, it is essential to build a stronger security system first, using finger recognition or iris recognition methods, before the non-face-to-face identification system itself is implemented."

A spokesperson for the FSC responded by saying, "We focused on securing stable transactions using verified methods several times. We will go through internally and externally-verified tests, and will not take any chances in financial frauds." The spokesperson added, "Borrowed-name bank accounts are done in a way in which someone opens a checking account in person and transfers the account to a third party with money in return. So, the problem in the process of distribution is much more serious. It is difficult to say that the allowance of non-face-to-face identification methods will lead to an increase in the number of borrowed-name bank accounts."

Four kinds of non-face-to-face identification methods suggested by the FSC are already being used in foreign countries like Japan, France, and Canada. Moreover, it will be possible for financial companies to build additional identification systems on their own, if two essential methods are executed. 

by Cho Jin-young

Impenetrable Market

Samsung Joins Hands with SoftBank to Open Up Japanese Market



Samsung Electronics's smartphones have been struggling in the Japanese market, so the company has given the go-ahead for its strategy to expand its market share in the Japanese market. SoftBank, one of the top three mobile carriers in Japan, decided to resume sales of Samsung smartphones after four and a half years.

According to TV Tokyo and IT industry sources on May 12, Japan's third largest mobile operator SoftBank will start selling Samsung Electronics' latest smartphones, the Galaxy S6 and Galaxy S6 Edge, as early as next week.

The Galaxy S6 series has been released in the Japanese market through Japan's largest and second-largest mobile carriers NTT DoCoMo and KDDI from April 23. Once SoftBank, which has 37.4 million subscribers, also begins the sale of its smartphones, Samsung Electronics will be able to sell the Galaxy S6 to the subscribers of all the top three mobile operators in Japan.

SoftBank is considered to be "Apple's Missionary" in Japan. When the iPhone was first released in Japan in 2007, Steve Jobs granted the exclusive sales rights to

late starter SoftBank instead of the two top mobile carriers at the time, NTT and KDDI.


Since then, the launch of the iPhone expanded to all mobile operators in Japan. However, Apple and SoftBank maintain a close cooperative relationship to the extent that half of the iPhones being sold in Japan are still distributed through SoftBank.

Considering this fact, it is a very meaningful change that SoftBank releases the products of Samsung Electronics, the biggest competitor of Apple.

From the end of last year, SoftBank has made a change in its sales strategy. The company launched Samsung Electronics' Galaxy Tab 4 in December last year. In the meantime, SoftBank sold only Apple's iPad for a tablet product.

An official from the industry said, "With its competitors NTT DoCoMo and KDDI both selling the iPhone and the Galaxy, SoftBank has chosen utility in a bid to prevent its customer loss and lower its dependence on Apple. The company seems to expand Samsung smartphone products offered with the sale of the Galaxy S6, following its tablet."

Currently, the name "Samsung" is hardly seen on mobile device sales rankings in Japan. According to market research firm IDC Japan, Apple dominated the Japanese smartphone market with a 58.7 percent market share last year in terms of shipments, and the figure increased by 12.8 percentage points from a year earlier. Samsung Electronics ranked 4th with a 4.7 percent market share by a large margin with leading companies, following Sony with 14.2 percent and Sharp with 11.4 percent.

With the cooperation of SoftBank, Samsung Electronics plans to focus on customized marketing for localization in Japan. Last month, the company placed a DoCoMo logo on its Galaxy S6 series, which were sold by NTT DoCoMo, instead of a Samsung logo. This decision reflects the high loyalty of Japanese customers to domestic products. For its previous Galaxy S5, Samsung placed the DoCoMo logo on the front and the Samsung logo on the back. However, the company removed its own corporate logo this time in a more drastic measure to appeal to local consumers. 

by Cho Jin-young

Penetrating China

Samsung Electronics Down to 4th in Chinese Smartphone Market in Q1



A Samsung sign stands out over the grey of a Hong Kong harbor day.

According to the numbers, Samsung Electronics dropped down to fourth place in the Chinese smartphone market share, following local manufacturers Xiaomi and Huawei and Apple, in the first quarter this year.

Strategy Analytics (SA), a market research firm in the U.S., announced on April 30 that Xiaomi sold 14 million units and ranked first in the share in the Chinese smartphone market with 12.8 percent in the first quarter this year. Accordingly, Xiaomi has maintained the top spot in the market for three consecutive quarters. However, its market share decreased nearly 3 percent from 15.7 percent in the previous quarter, showing a slowdown in growth.

Apple, with its great hit of the iPhone 6 and the iPhone 6 Plus with bigger screens, took second place. The company sold 13.5 million units, which is slightly lower than Xiaomi, and recorded a 12.3 percent market share. It has ranked sec-

ond for two quarters in a row. Industry sources said that Apple sold a maximum of 20 million iPhones in Chinese-speaking countries, including the mainland of China, Hong Kong, and Taiwan.

SA paid attention to the fact that Apple significantly narrowed the gap with Xiaomi, even though the company came in second. In fact, Apple had a 2 percent difference in terms of the market share with Xiaomi with 12.8 percent in the fourth quarter last year but it narrowed the gap to 0.5 percent point in one year, being hot on the trail of Xiaomi.

Chinese smartphone manufacturer Huawei ranked third place. The company sold 11.2 million units and it came in third with a 10.2 percent market share. Since 2012, Huawei was always in the top five in the market at home, but this is the first time to become one of top three for a quarter.

There is no official information revealed about the sales and share of the

Chinese market in the first quarter for Samsung Electronics, which has the highest sales figures in the global smartphone market. Since 2011, the company had maintained first place in the Chinese market until the third quarter last year, when Xiaomi ranked first. In the fourth quarter of last year, Apple took second place, putting Samsung Electronics in third. This time, the company fell to fourth place, overtaken by Huawei.

Samsung Electronics, with a 12.1 percent market share in the fourth quarter last year, seemed to come in fourth or fifth with an early 10 percent in terms of market share in the first quarter of this year.

An official from the industry said, "It clearly shows that Samsung Electronics is sandwiched between Apple and low-end smartphone manufacturers in China in the first quarter. We should watch whether the Galaxy S6 will help Samsung to regain its wounded pride in the Chinese market."

by Cho Jin-young

Profit Differential

Why Does Samsung Profit Only 2.4 Trillion Won While Apple Generates 12 Trillion Won?

Thanks to the strong sales of the iPhone, Apple posted US\$18.2 billion (about 18 trillion won) in operating profits in the first quarter, reaching a record high for a quarter. Out of the 18 trillion won of total operating profits, 12 trillion won (US\$11.2 billion) comes from operating profits related to the iPhone. In comparison, Samsung Electronics is expected to reach only 2.4 trillion won (US\$2.24 billion) in operating profits from its own smartphone business in the first quarter this year.

Samsung Electronics got the lead in the sales of smartphones in the first quarter, but Apple overwhelmed it in terms of profit. As the competition between Apple and Samsung has begun in earnest in this second quarter with the launch of the Galaxy S6, the profitability of Samsung smartphones has become the talk of the town.

On April 28, Apple announced that it recorded US\$58 billion (about 62 trillion won) in sales, a 27.1 percent increase from a year earlier, in the first quarter this year. Its net profit increased 33 percent to US\$13.5 billion (about 14 trillion won) compared to the same period last year, while its operating profits grew 35 percent to US\$18.2 billion (about 18 trillion won). It renewed the highest record for a quarter in the fourth quarter last year.

The iPhone 6 led such good results. The iPhone was sold 61.7 million times in the first quarter, a 40 percent growth from a year ago. In particular, the sales of the iPhone in the Chinese market increased as much as 72 percent compared to a year before, and the sales of the iPhone in Chi-



nese-speaking countries surpassed its sales in the U.S. market for the first time.


Due to Apple's earning surprise, Samsung Electronics is being pressured. The stock market expects that the operating profit of Samsung Electronics' IM division, including smartphone, in the first quarter will amount to 2.4 trillion won (US\$2.24 billion). The sales of its smartphones in the first quarter is estimated at 82 million units, a 9 percent growth from the previous quarter. In terms of sales alone, Samsung sold 20 million units more than Apple. However, the profits is only a fifth of Apple's.

Industry sources say that Apple has completely overwhelmed Samsung Electronics in the strategy of high-end smartphones. Some say that it is partly due to the fact that Samsung Electronics has focused on selling low-end products, including the Galaxy A, in emerging markets.

It is also said that another factor is Samsung Electronics' sales structure, in which the production cost is high while the selling price is relatively low. According to foreign media reports, including by Re/code, the production cost of the iPhone is estimated at US\$240 (257,184 won), while the cost of the Galaxy S6 Edge is US\$290 (310,764 won), which is US\$50

(53,580 won) more expensive than Apple. However, the sale price of the Galaxy S6 is 60,000 won to 70,000 won (US\$56 to 65) cheaper than the iPhone 6. Accordingly, Apple's total margin rate of smartphones in the first quarter reached 40.8 percent, a 1.5 percent point increase from a year ago. The market presumes that Samsung Electronics' smartphone margin rate will be only 10 to 20 percent. Also, Apple has set a 31 percent business profit rate, while Samsung Electronics is recording early 10 percent.

Moreover, Samsung Electronics is directly involved in manufacturing its smartphones from the investment in the smartphone production facilities to the supply of parts. However, Taiwanese OEM Foxconn produces the iPhone. This is why the production cost of the iPhone is much lower than the cost of Samsung Electronics and the Korean IT giant cannot outdo Apple in profits from the start.

Samsung Electronics is confident to significantly improve its performance in the second quarter with the Galaxy S6. However, it is too early to say that the Galaxy S6 will be a big hit, and some industry sources even say that it will be a "medium hit" due to the lower sales than expected. 

by Cho Jin-young

Dark Horse

Preference for G4 over Apple, Samsung



The LG G4's leather back will come in a variety of colors.

LG Electronics is taking its strategic smartphone G4 to the U.S. market, the largest smartphone market in the world. The G4, the fourth model of the G-series for LG Electronics, was released in Korea at the same time that it was unveiled to the global market, April 29.

According to sources in the industry on May 13, telecommunication companies such as Verizon and Sprint are planning to release the G4 as early as this month through a stipulation with LG Electronics, as the U.S. FCC completed the G4's certifications.


LG Electronics has been third in global sales revenues for the past several years. The key to the protection of this third position as well as taking "meaningful third place," or narrowing the gap with the second placed Samsung Electronics, is the success of the G4 in the U.S. market, as earlier mentioned by President Cho

Jun-ho of the MC Business Division of LG Electronics. President Cho has managed the production of the G4.

According to U.S. market survey firm Strategy Analytics (SA), LG Electronics has taken 12 percent of the market share last year, taking third place in smartphone sales volume. What stands out from the figure is that the U.S. market share of LG Electronics increased by 4.8 percentage points, while that of Apple (36.6%) and Samsung (26.9%) dropped by 1.4 percentage points and 1 percentage point, respectively.

The driving engine to show the steady competitiveness of LG smartphones in the North American region is the experience of success enjoyed with the Chocolate Phone in 2005. President Cho was the man that created the so-called "Chocolate Phone Legend." He was the vice president of the mobile phone business in the North

American division, and he saw great success with the Chocolate Phone in 2005, followed by another success with the Shine Phone in 2007, placing LG Electronics in second place in sales market share over Samsung Electronics.

With the G4 pending its release in the U.S., both local media and consumers are showing great anticipation. U.S.-based IT media site GSM Arena said that according to a recent survey of premium smartphone preferences that the G4 beat its competing models, ranking first place in the premium smartphone market. According to the survey, the G4 beat the iPhone 6 by a wide margin, 5,827 votes vs. 1,494 votes in the competition for preference. It also won a narrow victory over the Samsung Galaxy S6, which received only 3,485 votes vs. the G4's 3,560, in another poll. 

by Jung Suk-ye

Market Domination

LG Display Controls 90% of Global Smart Watch Panel Market

With the introduction of the Apple Watch, the global smart watch panel market has entered a boom period, which allows LG Display to be the dominant player in the market with an overwhelming market share.

According to market research firm DisplaySearch on May 11, LG Display turned over US\$186 million in the global smart watch panel market during the first quarter of this year.

The size of the market was estimated at US\$240 million in the period, and LG Display accounted for 90.9 percent of the market. Virtually, there is no rival company, considering that Samsung Display, which was in the runner-up position with a 3.1 percent share, posted US\$63 million, followed by Japan Display at US\$48 billion (2.4 percent) and Futaba US\$37 billion (1.8 percent).

In terms of shipments, the top-ranked company comprised 66.8 percent of the total with 8 million units. Compared to 1.1 million units in Q4 2014, the number in Q1 2015 is a seven-fold increase from the previous quarter. The figure is much bigger than 1.48 million units recorded by Japan Display in the runner-up spot (12.4 percent), 1.12 million units by Futaba in third place (9.4 percent), and 900,000 units by Sharp in the fourth spot (7.5 percent).

Smart watches are required to be thin and have low battery consumption, since they are worn on the wrist. Unlike smartphones where LCD panels are used, plastic-based OLED panels are widely utilized in smart watches, as various kinds of designs are needed.

According to market research firm IHS, the flexible OLED panel market is expected to show nine-fold year-on-year growth this year. In particular, LG Display has technology unparalleled in the smart watch panel area, as shown by its success



The LG Watch Urbane.

in developing circular OLED panels for the first time. The Korean firm is exclusively supplying plastic OLED panels to the Apple Watch, which was released in April. Those panels made by LG Display are also reportedly used in the LG Watch Urbane, which was introduced to the market in March.

Currently, LG Display and Samsung Display are the two companies in the world capable of producing plastic OLED screens for smart watches. Thus, Samsung Display seems to be the only one with the potential to curb LG Display's dominance. The second-largest smart watch panel maker, equipped with a system to mass-produce plastic OLED panels, will also reportedly supply the panels to the following model of the Apple Watch, along with LG Display.

Samsung and LG are currently trying to seek out the optimal timing of additional investment and production increases, as Apple is planning to procure the panels for its Apple Watches from various sources instead of LG Display, which has been the sole supplier.

Market research firm Strategy Analytics recently predicted that a total of 28.1 million smart watches would be sold around the world this year to show a 510

percent from a year earlier, and the Apple Watches would take up 54.8 percent of the sell-through.

Both LG and Samsung have yet to deal with the high manufacturing costs. According to IHS, the production cost for the 1.5 in flexible OLED panel used in the Apple Watch is estimated at US\$27.41. Meanwhile, a 4.5 in full-HD LCD panel has a selling price of US\$25 as of now.

Another challenge is the low yield resulting from the complex manufacturing processes. "Flexible OLED panels entail a number of difficult processes, including the use of a thin film instead of glass as a sealing material, and this has affected the yield," Samsung Display explained.

by Cho Jin-young



The flexible OLED market size is increasing.

Testing Things

Government to Undertake IoT Test-bed Project



The Ministry of Science, ICT and Future Planning (MSIP) announced the results of the competition for the convergence test-bed project of the Internet of Things (IoT) as a follow-up of the K-ICT policy.


The MSIP announced on May 10 that the Electronics and Telecommunications Research Institute consortium, the National Security Research Institute consortium, the academic-industrial cooperation group consortium of the Catholic University of Korea, and the Korea Automotive Technology Institute consortium were all selected as preferred bidders for the competition. A total of 8 consortia competed last month in the four fields of electronics, energy, health and medical services, and autos.

After cooperating and coordinating different opinions as to details, the selected consortia are planning to start their test-bed project in mid-May, which will last until 2018. The National Information Society Agency will supervise the whole process.

The MSIP is planning to make this year the first year of the revitalization of the IoT and to bring about a boom in the IoT by proceeding with convergence test-bed projects of promising services, in addition to the creation of the IoT test-bed research complex.

By area, the open-source home IoT test-bed project is to develop common elements for a platform, or Application Programming Interface (API), aimed at securing compatibility between various

kinds of electronic goods like TVs or refrigerators. The common elements for the platform are going to be open to all companies, and hindrance factors in the home IoT field stemming from a lack of compatibility are expected to be removed as a result.

The aftercare testbed project for severely ill patients will help people suffering from cancer or heart disease rehabilitate themselves at home and manage their own health, after being discharged from the hospital. Services that provide information analyzing big data for customized medical treatments are going to be developed and offered to medical staff. Their effectiveness will be verified by undergoing clinical trials targeting 1,000 patents.  by Cho Jin-young

Open Source

ETRI, Samsung Forge Partnership for IoT Standards

The Electronics and Telecommunications Research Institute (ETRI) signed a Memorandum of Understanding (MOU) with Samsung Electronics to cooperate in the Internet of Things (IoT) field at Samsung's Seocho office on May 8.

The issue of developing independent IoT service standards by IT device makers has become a hot potato in the industry. Global IT enterprises like Google and Qualcomm have already forged alliances for the IoT, and started to develop open-source based standards.

In line with this trend, ETRI announced on May 11 that it exchanged


letters of intent with Samsung on May 8 that outline their plans to build a cooperative system for IoT-related open-source activities for standardization.

This partnership was led by ETRI's Future Research Creative Laboratory and Samsung's software center. They will cooperate for IoT-related open source and standardization, and the expansion of IoT-related technology and platforms at home and abroad.

ETRI is also going to host the Open Interconnect Consortium (OIC) Seoul Conference with Samsung in the Diamond Hall 3 room at the Renaissance Seoul Hotel on May 13.



Samsung Vice President Lee Hyo-gun (left) and ETRI's head of the research center Jung Sung-young (right) shake hands after an MOU signing ceremony at Samsung's Seocho office on May 8.

The OIC, which Samsung formed with Intel, Broadcom, Dell, and Atmel in July 2014, is a consortium aimed at developing open-source-based compatible standards to connect IoT devices. 

by Cho Jin-young

Beyond Smartphones

Wireless Charging Tech to be Used in Cars, Medical Devices



A research team led by Dr. Park Young-jin at the Korea Electrotechnology Research Institute examines the performance of a wireless charging prototype.

The Korea Institute of Science and Technology Information (KISTI) published a market report on May 20, which read that the introduction of wireless charging technology will be expanded, mainly with mobile devices and electric vehicles. Among various kinds of next-generation charging methods, a wireless charging technique is in an advantageous position thanks to its efficiency, convenience, and far-reaching influence. Therefore, it is likely to lead the related markets.

Ryu Young-bok, a researcher at KISTI, explained, "Going beyond smartphones, wearable devices like smart watches and smart glasses are more diversified. With the era of the Internet of Things beginning in earnest, the necessity of wireless charging is stressed." The researcher added, "With the formation of the wireless charging infrastructure market in the form of convergence products like cars, household appliances, and medical devices, people's everyday lives will change rapidly."

Major market research firms are saying that the global wireless charging market will grow an average of 60 percent a year starting from 2015. As an illustration,


IHS Technology predicts that the market estimated at US\$216 million in 2013 will grow 40 times to reach US\$8.5 billion (9.25 trillion won) in 2018. MarketsandMarkets also anticipates that the global wireless power transmission market will grow an average of 60.5 percent per year from 2014 to 2020, reaching US\$17 billion (18.5 trillion won) in 2020. The local market is expected to be worth US\$350 million (380 billion won) this year.

The two prominent wireless charging techniques are magnetic inductive charging and magnetic resonance methods. Each has pros and cons. Magnetic inductive charging makes it possible to receive more than 90 percent of transmitted power, but power can be transmitted to the distance of around 1 cm. Magnetic resonance, on the other hand, allows people to transmit power 2 to 3 m away from the location, but its efficiency stays at the 60 percent level.

Researcher Ryu remarked, "So far, the magnetic inductive charging method has led the market, stemming from its superiority in charging efficiency, stability, and standardization. However, due to charging distance, there is a certain limit to its

applications. So, I think that the market will be reorganized in a way that the magnetic resonance method will prevail in the end." He added, "It means that technological advances will be made from contact to non-contact types."

The nation's wireless charging technology is widely acknowledged to be at the world-class level. This achievement is due to an organic research and development system from pre-emptive investment to cooperation between the industry and researchers by leading companies like Samsung Electro-Mechanics and LG Innotek. However, experts are pointing out that to lead the global market, it is necessary to first resolve problems like charging efficiency, price competitiveness, and harmful effects on the human body.

Ryu said, "Owing to intense global competition between companies and countries, it is very important for our country to take the initiative in technical standards," adding, "If our own original technologies capable of creating high added value are created, I think that our country will solidify our position as a powerful nation in wireless charging technology." 

by Cho Jin-young



The Korean government and large and mid-sized companies have forged a partnership to create an ecosystem for the Internet of Things (IoT).

First, they are going to secure a cooperative base by creating a center for the IoT in the first half of this year and to begin various kinds of projects, including building infrastructure for development support, sharing production facilities, and training a workforce.

The Ministry of Trade, Industry and Energy (MOTIE) held an MOU signing ceremony for “Win-win Cooperation in the IoT” aimed at cultivating next-generation growth engines of the electronics industry at the Renaissance Seoul Hotel on May 18.

A total of 100 private enterprises participated in the event, and major attendees included Samsung Electronics President Park Sang-jin, LG Electronics President Choi Sang-kyu, Dongbu Daewoo Electronics President Lee Jae-kook, and Coway President Kim Dong-hyun.

Moon Seung-woo, director general for the system industry at the MOTIE, said, “Apple and Google are working to enter the household appliance industry through strategic partnerships with household appliance makers in China and Europe.”

He added, “Local companies like Samsung and LG are actively trying to do so, but there is a certain limit to leading the global ecosystem.”

Signatories are planning to create an ecosystem of the IoT. First, they will build a cooperate center for the electronics and IoT industries in the Digital Innovation Center in Seoul during the first half of this year to establish a base for IoT cooperation.

The center will provide support for related infrastructure and technology, manpower training, and exports, so that small and medium-sized enterprises (SMEs) can develop products based on Samsung's IoT hardware platform Artik, software platforms for Tizen and Smart Things, and LG's Web OS and the Home Chat service.

In addition, they will hold the (tentatively named) IoT Expansion Forum to facilitate technology sharing and business discussions.

To help SMEs develop and produce new items, large enterprises, Creative Economy Innovation Centers, Manufacturing Innovation Centers for 3D Printing, and a Mutual Growth Valley are all planning to form a network within this year for sharing inspection equipment.

From next year, areas will be expanded to the rental and relocation of production facilities. To cultivate promising IoT companies, a 30 billion won (US\$27.5 million) fund for the manufacturing and IoT investment will be raised this year, and the amount will increase to 100 billion won (US\$91.8 million) by 2017.

Furthermore, numerous educational programs like conferences for electronics and IoT developers, support for open-source hardware platform-based product development, and pilot projects for smart convergence product development will start this year.

Some participants gave their advice for the expansion of the IoT ecosystem.

Samsung Electronics President Park Sang-jin remarked, “It is necessary to create IoT standards at the national or global level, but there is still no alternative.”

Coway President Kim Dong-hyun said, “Our company had a hard time in finding a sensor specialized in the environment when working to develop an IoT air purification system.” He added, “If partnerships in the industry through this agreement lead to the development of competitive sensors, the IoT market will grow a lot.”

by Jung Suk-ye

Hyperconnectivity

No Safeguards for “Smart” Home Appliances



More than 750,000 spam emails were sent out in bursts in Jan. 2014. Surprisingly, it was not computers that blasted these unwanted messages, but televisions and refrigerators. Proofpoint, an American security firm, has uncovered a cyber attack that involves hacking wired home appliances and sending out malicious emails with them, which they outlined during a technology demonstration. “Just like personal computers and smartphones, home appliances have operating systems and CPUs, but unlike the former, there are virtually no security devices in the latter,” the Proofpoint researcher said. “We exploited their weak security by hacking them and sent spam,” he explained.

Home appliances are not the only things wired now. Including cars, clothes, and houses, almost everything in everyday life is “wired.” From the entrance to every part of a factory, everywhere is wired, and remote control factory settings are being introduced these days. The earth is now

becoming hyperconnected, everything becoming wired together in our living world.

According to the Korea Institute for Industrial Economics and Trade, the estimated value of possible IoT security damage is 13.4 trillion won (US\$12.2 billion). As the fundamental systems and facilities serving this country become increasingly wired, the threat of cyber attacks grow. For example, even if the Internet is inactive for 1 percent of the time, the globe faces the astronomical number of US\$13 trillion worth of losses. This threat is very real. Cyber attacks on country infrastructure aiming to deliberately destroy the system are now on the increase.

“More and more people use wired devices such as smart televisions and refrigerators, but most of the products have security issues. Smartphones, enjoying up to an 80 percent penetration rate, are not exceptions,” one KIET researcher explained. “There were distributed denial-

of-service attacks on Korean government sites on the 7th of July back in 2009. Now we face the same threat this time from our smartphones, televisions, even refrigerators,” he warned.

The government, understanding this significant implication of IoT security issues, strives to make and practice sound security policies. “Most IoT products have virtually no security safeguards or very few. Accordingly, these products could be very vulnerable to security issues including hacking,” Park Sung-jin, director of the Information Protect and Support division of the Ministry of Science, ITC and Future Planning, said, “We will support and lead the developers of these IoT products and services so that they can create relevant security technologies early at the stage of production. We will also consider constituting a security task force committee to counter attack any cyber attack.”

by Cho Jin-young

Breaking Away

Growing Independence from Kakao Mobile Games Platform



As Daum Kakao failed to properly show synergy results after the merger last year and has faced controversy over this crisis, the company has decided to restructure its business.

On May 7, Daum Kakao announced that it will end the messenger service My People and the mobile shopping service Kakao Pick at the end of next month.

My People is the messenger service launched by former Daum Communications before Daum Kakao was established. Kakao Pick is a mobile shopping service launched by Daum Kakao in Sept. last year. The company provided products directly selected by Daum Kakao merchandisers at bargain prices. Kakao Pick attracted attention, as Daum Kakao ambitiously released the service 15 days before the merger on Oct. 1 last year. However, the company will stop the service 8 months after launch due to consumer indifference.

The fact that Naver recently implemented an aggressive game marketing strategy and shook the game business, the major source of income of the company, fanned the flames of Daum Kakao's crisis theory. Also, the company seems to have opted for business restructuring after it failed to seek out a new source of income

besides Kakao Talk.

Even though the company is spending much money on marketing Kakao Taxi and Kakao Pay, the majority opinion is that it is hard to expect profits from these services for a while. In the stock market, Daum Kakao is having a tough time, failing to maintain the top spot in the KOSDAQ.

Actually, an increasing number of major game developers in the country are joining the trend of breaking away from Kakao Games to directly launch their mobile games.

According to industry sources on May 13, large gaming companies like NHN Entertainment, YD Online, HanbitSoft, and PATI Games are not choosing KakaoTalk's gaming platform for their new games. Instead, they are directly marketing their games.


PATI Games released action-RPG Dragon Quest Heroes on Google Play on that day without using Kakao Games. It is the second time for the company to launch its new game in that way, following the introduction of SD Gundam Battle Station on April 2014.

NHN Entertainment and YD Online, developing different games using the God of High School on Naver Webtoon,

are expected to jump on the "de-Kakao" bandwagon, as well.

HanbitSoft is intensifying its efforts to develop this year's first new mobile action-RPG game, and the firm is also planning to release the game independently in June without choosing KakaoTalk's gaming platform. In the past, Netmarble's Raven was successful, helped by its marketing partnership with Naver. Likewise, HanbitSoft is currently considering whether to utilize Naver for marketing its new game.

An industry source said, "For gaming companies, it is more beneficial to save costs by directly launching their games in App markets, instead of choosing Kakao Games. It is due to the fact that Kakao takes away 21 percent of sales from games on its gaming platform." The source added, "So, the phenomenon of leaving Kakao Games will be more common in the future."

Meanwhile, 226 local games were released via KakaoTalk's gaming platform last year. An estimated 50 games were launched on Kakao Games in the first quarter of this year, and the number was a sudden sharp decrease from a year ago (87 games). 

by Cho Jin-young

15 Trillion Won Investment

Samsung Makes Largest Single Investment Ever into Pyeongtaek Factory

Samsung Electronics used the official slogan “The Future Starts Here” for the groundbreaking ceremony of its new Pyeongtaek semiconductor complex on May 7. It showed the high expectations of a new chip production line by citing its semiconductor business investment, which is the foundation of Samsung Electronics’ competitiveness, as an allusion to the future of the company.

In fact, Samsung Electronics decided to make the first investment of 15.6 trillion won (US\$14.28 billion) in the Pyeongtaek complex. It is the unprecedented as the largest investment ever in a single semiconductor production line in the world.

As Samsung Electronics, which maintains the indisputable top position in the memory semiconductor sector, has decided to make the large-scale investment three years after the extension of 17 lines in Hwaseong in 2012, the technological gap between competitors is expected to widen further.

Recently, BOE, the largest LCD maker in China, declared a push into the memory semiconductor market and presented blueprints to catch up with Samsung by 2020. However, this preemptive investment has raised the entry threshold, said semiconductor industry sources.

With Samsung recently succeeding in developing 14-nanometer FinFET process technology and the triple-level-cell (TLC) 3D V-NAND flash memory in succession, the company is overwhelming its competitors in semiconductor fine processing. It refers to a new technology to improve work process efficiency with less electricity by narrowing the circuit width of memory semiconductor substrates or piling one above another so that the company can gain comparative advantages from



Park Geun-hye (center), president of South Korea, Lee Jae-yong (2nd from left), vice chairman of Samsung Electronics, and other major figures press blasting buttons at the groundbreaking ceremony of Samsung's new Pyeongtaek factory.

its competitors’ products.

Even though Samsung was noted as lagging behind in technology levels in the system semiconductor sector, the company is also continuing its advance. As Samsung used its own application processor (AP) Exynos in its flagship Galaxy S6 and Galaxy S6 Edge smartphones, the company attained its long-cherished desire to get away from Qualcomm. In addition, it recently signed a contract with its biggest smartphone competitor, Apple, to supply its AP to the next model of the iPhone. So, the analysis came out that Samsung and Apple have entered the stage of “competitive cooperation,” getting out of long-running conflicting relations.

With the improvement in competitiveness, the DS sector seems to have a stronger position in the company. As Samsung Electronics saw operating profits of 3.39 trillion won (US\$3.1 billion) in the DS sector in the first quarter, its performance was largely improved by the sector, along with the IT & Mobile Communications (IM) sector.

Also, there is keen interest on what products Samsung will be producing in the Pyeongtaek factory. Since it is the largest and the most advanced complex in the world, the global market can be even reorganized according to the products being produced in the line.

Samsung officially said, “Nothing is fixed yet.” However, industry sources believe that it is highly likely to produce memory chip products, with which Samsung stands unchallenged.

The production plan of the Pyeongtaek complex will be decided at the end of next year or the year after that. Memory semiconductor products such as DRAM and NAND flash are most likely to be produced. Lee Min-hee, an analyst at IM Investment and Securities, said, “For Samsung Electronics, non-memory products or system semiconductors, including foundry and mobile applications, still has enough equipment scale and high uncertainties. So, the company is unlikely to expand the line of such products.

It is hard to conclude the list of production considering the fact that Samsung Electronics has so far flexibly controlled semiconductor production according to the change of management conditions. An official from the industry said, “The 17 lines of Hwaseong were originally for the production of system semiconductors only. However, the lines have changed the first stage for DRAM and the second stage for non-memory, as the demand of DRAM is significantly growing. So, the Pyeongtaek line can also change, even after the production plan is decided.”

by Cho Jin-young

100 km/liter

Renault Samsung's Concept Car Eolab Boasts Highest Fuel Efficiency



Renault Samsung's concept car Eolab was the most interesting to consumers at Seoul Motor Show 2015 last month.

It was also the model that Google co-founder Sergey Brin showed special interest in while remotely watching the Seoul Motor Show using a mobile communication device.

Eolab is the result of high efficiency technological integration. Its ability to travel up to 100 kilometers on one liter of fuel was already verified in Europe. Also, it emits only 22 grams of carbon dioxide per kilometer.

Even in comparison with other prominent environmentally-friendly vehicles, the model shows five times better performance in terms of fuel efficiency and carbon emission reduction.

According to Renault Samsung on May 10, the company will sequentially introduce the technology used in the Eolab into the mass-produced cars of Renault and Renault Samsung.


Renault Samsung's engineers, who took part in the Eolab project, have already started using the innovative technologies in the models of domestically mass-produced vehicles.

In fact, magnesium sheets were used in the SM7 Nova. It was manufactured with the same material and in the same way to create the 4-kg roof that was used in the Eolab. Renault Samsung said that the realization of the Eolab first started in Korea.

The Eolab contains approximately 100 innovative technologies in the body, like composite lightweight steel, and an

aluminum and magnesium roof. Thanks to that, the company reduced the total weight of the car by 400 kilograms.

Renault Samsung's high-performance plugged-in hybrid electric vehicle Eolab can travel up to 60 kilometers at speeds of up to 120 km/h on electric power alone. While doing that, it does not emit any exhaust emissions. The model uses only an electric motor when commuting on weekdays and the internal combustion engine when going on long trips on the weekend.

The Eolab also has a real-time information system to show driving information to a driver at a glance, such as acceleration, brakes, road gradients, tire rolling resistance, and the aerodynamics of the car. 

by Jung Min-hee

Domestic Automakers

Renault Samsung Shows Global Sales Growth; Kia, Ssangyong See Growth at Home

Domestic automakers that showed poor performance in the first quarter are now doing better.

According to the May 1 performance data of the five domestic automobile manufacturers – Hyundai Motor, Kia Motors, GM Korea, Renault Samsung Motors, and Ssangyong Motor – Renault Samsung Motors recorded the best sales results in April, the first month of the second quarter, compared with the increased range in April last year. While Renault Samsung Motors, Kia Motors, and Ssangyong Motor saw growth in the domestic market, Hyundai Motor is covering up its stagnant sales at home with sales overseas. Even though GM Korea did not do well in both exports and the domestic market, the company is planning to improve its performance with aggressive promotions.

Kia Motors, Renault Samsung Motors, and Ssangyong Motor showed good performance in the domestic market compared with the result of the previous year.

Among them, Renault Samsung Motors showed sales growth both at home and overseas. The company sold a total of 23,393 vehicles, an 86.5 percent increase from a year earlier. It exported 16,375 units, the highest figure since the establishment. In the domestic market, Renault Samsung Motors sold 7,018 units, 14.1 percent more from the previous year. This is largely due to the sudden increase in the QM3 supply. The sales of the QM3 almost tripled, to a total of 2,628 units, a 179.9 percent increase from the previous month. In the overseas markets, the export version of the Nissan Rogue was popular.

The company sold 12,440 units a month in eight months after it started production of the Nissan Rogue.


Kia Motors sold a total of 272,310 units. Its sales decreased only 1.4 percent from the same period in the previous year, even under the worst of the conditions in the overseas market. The company saw sales decline by 3.4 percent in the overseas market due to the economic recession in emerging countries, including Russia. However, it saw rapid sales growth at home based on the improved brand value and the sales increase of its popular RV models. Domestic sales grew 10.4 percent from a year earlier.

Ssangyong Motor saw a positive effect from the Tivoli. Its sales in April reached 12,531 units. The figure decreased 8.1 percent compared with the same period last year. However, its domestic sales increased 353 percent due to its popular Tivoli model.

Hyundai Motor and GM Korea seem to be waking up from their stagnation.

Hyundai Motor sold a total of 436,859 units, recording an 0.8 percent decrease

from a year ago. Its sales in the domestic market declined 4.3 percent to 63,050 units from a year earlier. However, its sales in the overseas market decreased only 0.1 percent to 373,809 units, virtually normalizing sales. At home, the company eased poor performance by releasing the new Tucson. A total of 9,255 units were sold, 2.7 times higher than that of the previous year, including the previous model.

During the same period, GM Korea sold a total of 52,746 units - 12,687 units at home and 40,059 units overseas. Total sales decreased 12.1 percent compared with the previous year. However, the sales of its main models, including the Cruze, Trax, and Orlando showed an upward trend compared with the same month the previous year. The Cruze sold 1,689 units in April, a 4.2 percent growth from the same month the previous year. The new Cruze, which was released in January, continued to gain popularity after its front and rear designs were upgraded. Also, it has shown a sales upturn for three months in a row. 

by Jung Suk-ye



Largest Market Competition

Hyundai-Kia Motors Wins Back #2 Spots in Chinese Auto Market

Hyundai Motor and its affiliate Kia Motors became the second-largest car sellers in the Chinese market last month, overtaking General Motors (GM) of the U.S. It has been 90 months since the group fell to third place.

According to data from the “Auto Dealer’s Joint Meeting” in China on May 24, Hyundai and Kia Motors sold a combined 146,294 units in the Chinese market in April, up 2.5 percent from a year earlier. Hyundai Motor sold 90,288 units, an 0.8 percent decrease year-on-year, while Kia Motors sold 56,006 units, an 8.4 percent increase.

Accordingly, Hyundai-Kia Motors took second place, following Volkswagen and outselling GM, which posted sales of 138,795 units. Their combined market share reached 10 percent.

In July last year, Hyundai and Kia Motors sold 125,191 units and became the second-largest vendors by overtaking GM, which sold 123,830 units. However, they were outstripped by GM the next month.

Hyundai-Kia Motors’ improvement in sales performance is largely due to the popularity of their strategic new models that were recently rolled out. With their overseas compact SUV models, the ix25 and the KX3, the group targeted the rapidly-growing Chinese SUV market.

GM, which yielded the second position to Hyundai-Kia Motors, has counter-attacked by extensively cutting its prices. GM announced that it would reduce the prices of its 40 major models by at least 10,000 yuan (US\$1,614 or 1.76 million won) to 53,900 yuan (US\$8,698 or 9.5 million won) in China.



A total of 1.457941 million vehicles were sold in China last month, up 6.9 percent from 1.363223 units a year earlier, according to the data.

Meanwhile, Hyundai Motor and Kia Motors have retaken the lead in terms of sales in the sub-compact car market in the U.S. for the first time in four months.


According to a report provided by U.S. car research company AutoData on May 11, Hyundai and Kia Motors sold a total of 11,010 sub-compact cars in the U.S. market in April - 8,208 units of the Hyundai Accent and 2,802 of the Kia Rios, which uses the name Pride in Korea. The figures increased by 14.3 percent from a year earlier and 10.4 percent from the previous month. It sold 1,364 more units than its runner-up Nissan, with sales of 9,646 units of the Versa.

Hyundai and Kia Motors and Nissan have had an uncompromising fight in the U.S. sub-compact market. The company ranked first in December 2013, but Nissan pushed it into second and third place in November last year. However, Hyundai and Kia Motors won back the first spot in December last year. Nissan took the first spot from January to March this year, but Hyundai and Kia Motors retook the lead in April once again.

The combined market share for Hyundai-Kia Motors in the U.S. in April was 25 percent, meaning that one out of every four consumers purchasing sub-compact cars bought either a Hyundai or Kia. The figures consistently increased in the past four months from 19 percent in January, to 21 percent in February, 23 percent in March, and 25 percent in April.

The Korea’s largest automobile group also took the second spot in market share in the U.S. hybrid vehicle sector, Following Toyota and surpassing Ford.

According to a U.S. eco car review website (www.hybridcars.com) on May 17, Hyundai and Kia Motors sold a combined 3,373 units of hybrid cars in the U.S. in April. Hyundai sold 2,481 units of the Sonata hybrid, while Kia sold 892 units of the K5 hybrid.

Their combined market share in the U.S. stood at 10.4 percent last month, which was 0.3 percentage points higher than the all-time high of 10.1 percent in Sept. 2013. Hyundai and Kia moved up to second place in the sales rankings, overtaking Ford, which sold 3,057 units, for the first time in 38 months. 

by Jung Min-hee

Fake Cars

Hyundai Motor Suffers from Chinese, Even Japanese Knockoff Models



The "Sheungtafei" model SUV from Hawtai Motor is almost a direct copy of Hyundai Motor's Santa Fe.

Hyundai Motor, the largest local automaker, is suffering the existence of "fake" car models, while at the same time their number and styles are both increasing. Chinese manufacturers have made fake models publicly, and lately even Japanese automakers have launched car models with designs similar to that of Hyundai Motor. Japanese automaker Subaru has recently introduced the model "2015 Legacy," which is an imitation of Hyundai Motor's Sonata. The parent company of Subaru is Fuji Heavy Industries.

The Japanese automaker entered the Korean market in May 2010, but closed its Korean operations in Dec. 2012 because of poor sales performance. Currently, Subaru's cars are not formally being sold in Korea, but its 2015 Legacy is selling in other countries including the U.S. and

Japan.

Until 2014, the Subaru Legacy has shown some creative designs including that of a horizontally-divided grille. Subaru's designs for sedans and SUVs are similar. However, the grille design of 2015 Legacy has turned into a chunky hexagonal one, which is quite similar to that of Sonata's grille.

An official at Hyundai Motor said that the company cannot verify that the Subaru model is a direct copy of the Sonata, but it is true that the design of the 2015 Legacy is very similar to that of the Sonata. He added that the company does not have a plan to file a lawsuit against the Japanese automaker since it is very difficult to verify the infringement of design in particular.

However, Chinese automakers aren't even worried about that, and are mak-

ing fake models publicly. Hawtai Motor copied Hyundai Motor's Santa Fe model, naming it "Sheungtafei," and showing it off at the 2015 Shanghai Motor Show. The Chinese automaker once imported and sold half-manufactured parts of Hyundai Motor. The contracts between the two automakers have expired, and Hawtai is now selling the Sheungtafei openly.

It is well known that Chinese automakers go through fire and water to copy foreign brands. They deftly mix multiple designs, and even copy the names of the original brands. For example, the Land-Wind X7 is an imitation of the British Land Rover. It was ridiculed by the public, since the automaker introduced the model saying it has a "creative" interior design.

by

by Jung Min-hee

Global Network

GM Korea Expands Support for Subcontractors to Enter Chinese Market



GM Korea's plant in Gunsan, South Korea.

GM Korea announced on April 26 that the company visited its Chinese joint venture Shanghai General Motors (GM) along with its 32 subcontractors and held an event to help its domestic subcontractors tap into the Chinese market, including business meetings with buyers.

The company hosted the event from April 22 to 24 and ran various programs to provide support for domestic subcontractors to make inroads into the Chinese market, including visits to local Korean companies and automakers and seminars about the Chinese auto market and investment.

Edvaldo L. Crepaldi, vice president of the purchasing division at GM Korea, said in the event, "Among 78 businesses that were selected as the subcontractors of the year by GM in Detroit of the U.S. in March, 28 are Korean businesses. The superior quality and technology of Korean companies are appealing enough to attract Chinese automakers."

Shanghai GM is a joint venture between General Motors Company and Chinese state-owned automotive manufacturing company Shanghai Automotive Industry Corporation (SAIC) Motor, that has a lineup of more than 20 products. It manufactures and sells Buick, Chev-

rolet, and Cadillac brand automobiles in mainland China. As Shanghai GM sold approximately 1.71 million units in 2014, which was its highest sales record since its foundation, this would be a great business opportunity for the domestic subcontractors of GM Korea.


In the meantime, General Motors (GM) USA has made the official announcement that it will reduce output to be assigned to its plants in Korea.

According to foreign press on May 4, Stefan Jacoby, executive vice president of consolidated international operations at GM, has recently said in an interview that the company will make India a new global manufacturing and export hub instead of Korea, where labor costs have ballooned in recent years. For GM Korea, which has been expecting that it will play a leading role as an Asian export hub in the future, it is a disappointing remark. South Korea has for years been a low-cost export hub for GM, producing 20 percent of the global output. However, labor costs in Korea have risen by more than 50 percent in the last five years, and the country has become one of the countries with high labor costs alongside Japan.

"We have no concrete plans to close

factories in South Korea," Jacoby said, "but, to remain competitive, GM Korea must find ways to drive efficiencies over time." GM's Korea factories produced 630,000 vehicles last year, but a capacity utilization rate of around 75 percent is too low to be profitable. This is why GM has ordered its plants in Korea to improve management several times. However, the company has often faced the opposition of its labor union.

Market research firm IHS has predicted that the output of GM Korea will decrease more than a third to only 365,000 units in 2025. The IHS said, "India will become a key global production and export hub for GM," noting the country will partially replace South Korea as GM's key Asian export base.

Jacoby said, "Thanks to the low labor costs in India, 30 percent of the output, about 170,000 units, will be exported. GM will increase the annual production capacity in India from the current 282,000 units to 570,000 units." Moreover, GM plans to significantly boost the ratio of components made and bought locally to around 70 percent of the overall component content and release two new models for India. 

by Jung Min-hee

More Domestic

Imported Car Sales Dropped Last Month



The Korea Automobile Importers & Distributors Association announced on May 8 that a total of 18,202 imported cars were registered in Korea last month to show an 18.3 percent decrease from a month earlier and an 8.9 percent increase from a year ago. "The year-on-year growth had remained at over 20 percent, but dropped to 8.9 percent last month due to the shortage of supply from some importers and inventory control ahead of the release of new models," the association explained.

By brand, Mercedes Benz topped the list by registering 4,136 cars. It was followed by BMW (3,798), Volkswagen (2,612), Ford (1,044), and Audi (1,010). Six out of the top 10 brands showed an average decline of 25 percent month-on-month, while Mercedes Benz, Ford, and Peugeot increased their sell-through by 10 percent or more.

Audi's sales volume fell 49 percent from a year ago, whereas that of BMW MINI skyrocketed 140 percent. Mercedes Benz increased its volume by 25 percent year-on-year, and the percentages amount-

ed to 30.7 percent for Ford, 54.1 percent for Chrysler, and 49.4 percent for Peugeot.

The Volkswagen Tiguan 2.0 TDI BlueMotion was chosen by 847 customers to be the best seller of the month. The BMW 520d (615) and the Mercedes Benz E220 BlueTEC (441) followed.


In the meantime, Hyundai Motor Company accounted for 41.3 percent of the domestic market last month, exceeding 40 percent for the first time in four months. The percentage had been 38.1 percent in January, 38.8 percent in February, and 38.5 percent in March.

In the meantime, the number of imported cars put up for court auction increased 42.8 percent from a year earlier, and more than five-fold compared to the same period of 2012, to 320 in the first quarter of this year. The number for April 2015 increased 37.6 percent year-on-year to add up to 95, too. Last year, a total of 196,395 imported cars were sold in Korea to record a year-on-year growth of 25.5 percent.

The majority of car importers in Korea recommend installment purchas-

es, because it can add to the sales of their financial arms. They give advance notice when the payment of the installment and interest is two months overdue. Then, they terminate the contract to initiate collection.

They are maintaining high installment interest rates, although the key interest rate determined by the Bank of Korea is at a record low of 1.75 percent. For example, the installment interest rates range from 7 to 9 percent for most of the top five foreign automakers' mid-size sedans purchased with a 10 percent down payment on a 60-month installment plan.

The financial service providers are boosting their profits under the circumstances. Volkswagen Financial Service Korea recorded 20 billion won (US\$18.5 million) in operating profits last year to post a 62.6 percent increase year-on-year. The profits of BMW Financial Service Korea and Mercedes Benz Financial Service Korea amounted to 31.5 billion won (US\$29.2 million) and 18.7 billion won (US\$17.3 million) in 2014, respectively. 

by Jung Min-hee

Good Rep

Domestic Shipyards Sweep Mega Container Ship Market

Domestic shipyards are sweeping up the global ultra-large container ship market.

According to shipbuilding industry sources on May 15, total orders of 21 container ships exceeding 20,000 TEU in capacity were placed globally from the end of last year to date. A 20-foot-long (6.1 m) ISO container equals 1 TEU. Among them, domestic shipyards such as Samsung Heavy Industries (SHI), the Philippines' Subic Shipyard of Hanjin Heavy Industries & Construction (HHIC), Daewoo Shipbuilding & Marine Engineering (DSME), and Hyundai Heavy Industries (HHI) won 19 of the orders, virtually sweeping the market. Japan's Imabari Shipbuilding secured the other two orders.

The 20,000 TEU container carrier can

carry 20,000 containers with a length of 20 feet at a time. The ship is 400 meters long, 60 meters wide, and 35 meters deep. Its deck alone is as large as four soccer fields.

With domestic shipyards monopolizing the 20,000 TEU container ship market, SHI stands out among them. It is the first shipyard to win the orders of the most and the largest containers. The company received 10 orders, half of the total orders of container ships exceeding 20,000 TEU made in the world to date. Also, it is the first domestic shipyard to win the order for a 20,000 TEU container ship, and the largest vessel of 21,100 TEU.

HHIC's Subic Shipyard is the second to win a 20,000 TEU ship order. The company was awarded the contract to build



An artist's render of Samsung Heavy Industries' 21,100 TEU container ship, which is the largest ever ordered to date.

three ultra-large 20,600 TEU container ships from CMA CGM of France.

DSME also won the order of four mega container ships of 20,000-TEU capacity from Maersk, while HHI recently won a deal to build two 20,000 TEU container carriers from Canada's Seaspan Marine Corp.

The increase in orders for ultra-large container ships is largely due to the fact that the competition in traffic is growing more fierce between global ship companies. The mega container carrier needs 20 to 30 percent less fuel than conventional vessels so it can reduce operating costs. The industry expects that an additional 30 orders to build mega container carriers will be awarded this year. **BN**

by Jung Suk-ye

Half of Total

STX Offshore & Shipbuilding Wins Contract to Build 8 LR1 Tankers

Following March, STX Offshore & Shipbuilding has won an order to build Long Range Product Carriers (LR1) once again, sweeping more than half of total LR1 tanker orders made in the market recently.

The company announced on May 18 that it signed a contract with a ship company from the Marshall Islands to construct four 74,000 ton LR1 tankers, plus the option for four additional units. The price of the contract was US\$375 million (407.44 billion won), including the option.

Under the contract, the vessels will begin being delivered from the end of 2016. Once delivered, the LR1 tankers will be chartered out to Royal Dutch Shell, a multinational oil and gas company, on a long-term basis. With this contract, STX Offshore & Shipbuilding has received orders for 21 tankers since the first half of 2014, out of 36 orders placed in the global market. Converting the number into market share, the company accounts for nearly 60 percent. It is believed that its LR1 tankers won the



STX Offshore & Shipbuilding's dockyards in Jinhae, South Korea.

hearts of ship companies with its fuel efficiency and cargo efficiency. **BN**

by Jung Min-hee

Adjusting Ownership

Restructuring of Shipbuilders Picking Up Speed

The restructuring of shipbuilders such as Daewoo Shipbuilding & Marine Engineering, STX Offshore & Shipbuilding, and Sungdong Shipbuilding & Marine Engineering is picking up speed, as the creditors are planning on strict measures like M&As, with the stagnation of the industry continuing to make it more difficult for them to get back the money they lent.

Korea EximBank, which is the main creditor bank for Sungdong, suggested an additional support of 300 billion won (US\$274.3 million) to the other creditors, but Woori Bank and the Korea Trade Insurance Corporation said no to the proposition on May 11. Their reason for the opposition was the dim outlook of the company, despite the pouring of over 2 trillion won (US\$1.8 billion) since the initiation of joint control by creditors in 2010. Under the circumstances, Sungdong's plan for building new ships with additional funds was thwarted, and the likelihood of court receivership increased, along with the possibility of the cancellation of the orders it received last year. This has resulted in the circulation of rumors that the company would merge with STX.

STX has failed to show meaningful progress since the implementation of the voluntary agreement in April 2013. When STX and Sungdong are merged with each other, the empty docks can be shared, and joint material procurement becomes possible for higher business efficiency, cost reductions, and a reduced risk of cutthroat competition, which will be very helpful



Hyundai's shipyards are some of the best in the world.

for their business to get back on track.

In this context, Korea Development Bank (KDB) is considering the sale of STX France to Daewoo Shipbuilding & Marine Engineering (DSME).

An official from KDB said on May 11, "We are currently examining various measures related to the management, including the sale of STX France to DSME. However, the disposal is just one of examination plans and nothing is decided yet."


STX France is one of the subsidiaries of STX Europe, and its 34 percent stake is owned by the French government. Contrary to earlier expectations that the sale would progress favorably, the disposal process has not gone well for five months.

With the current situation to activate the cruise ship market, KDB is considering the scenario that DSME takes over STX France. This is because the bank believes it has the investment value, since the government seeks to prop up cruise ships in order to promote its new growth engine. As DSME propelled the acquisition of Aker Yards, the current

STX Europe AS, in 2007, the company is expected to have no problem in the management sector as well.

"It is a possible scenario, but we should wait and see for a while," the Korea Development Bank, which is the main creditor bank for STX.

However, some in the industry think that the DSME will face plenty of difficulties until taking over STX France due to its financial situation. Since the DSME also does not have enough spare money, the scenario is rising that both are ailing companies. Another official from KDB said, "Selling STX France to the DSME is not an easy task to accomplish with the will of KDB alone, due to the equity structure of STX France."

Still, the creditors have to deal with opposition from the labor unions and the residents in the regions where the shipbuilders are located. At present, 7,000 to 8,000 people are working in each of the companies, and the restructuring can have a significant impact on the regional economy. 

by Jung Min-hee

Halal Market

Korea Agro-Fisheries & Food Trade Corp. Focuses on Halal



Korea Agro-Fisheries & Food Trade Corporation President Kim Jae-soo stressed the importance of halal food as one of the corporation's key business items for this year.

Halal food can be defined as food that does not violate Islamic law, including all kinds of vegetables, fruits, cereals, and seafood along with mutton, beef, and chicken processed in accordance with certain rules and pork- and alcohol-free processed food. Due to such particular requirements, those in the Korean food industry have almost left this market of 1.8 billion people unattended.


According to industry sources, the halal food market reached US\$1.088 trillion in size in 2012 and is expected to grow to US\$1.626 trillion by 2018. Last year, Korean companies' halal food exports stood at just US\$680 million. It is non-Muslim multinational food companies that are dominating the market these days. For instance, Nestle is currently

producing approximately 300 halal food products in 150 or so factories around the world.

As its first step into the market, the Korea Agro-Fisheries & Food Trade Corporation sets up its first Abu Dhabi office next month. The office is expected to be a useful tool providing up-to-date news about the market and business in it and facilitating the acquisition of the certificate for Korean food exporters. In addition, business meetings are scheduled for the first half of this year in Gulf Cooperation Council (GCC) countries, while K-Food Fairs are held in Malaysia in August and Indonesia in October along with an exhibition in Dubai in November.

The corporation has provided assistance regarding the acquisition of halal food certificates, too. At present, the Korea Muslim Federation is the only certification authority in Korea with regard to the matter, but its authorization is effective only in Korea and Malaysia. Addi-

tional certificates are required for export to other regions like Indonesia, Singapore, and the Middle East, which adopt different procedures complicated to the point of discouraging small firms. In this context, the corporation has shared the certification costs since 2012, and the ratio of sharing has been raised up to 90 percent. A total of 500 million won (US\$458,825) was provided for 48 companies between 2012 and 2014. This year, guidebooks covering all of the different criteria have been made available.

The corporation is also working on cross certification between the KMF and the Majelis Ulama Indonesia (MUI) so that Korean food exporters can better penetrate the Indonesian market, home to more than 220 million Muslims. The Korean government, on its part, is planning on a halal food complex in the Foodpolis located in Iksan, North Jeolla Province. 

by Jung Min-hee

Seeding the Future

Venture Investment Promotion Plan Working as Intended

The Korean government is successfully carrying out its plan for the promotion of investment in venture firms and startups.

The Small and Medium Business Administration announced on April 26 that domestic venture investment reached 358.2 billion won (US\$333.6 million) in the first quarter of this year by increasing 29.2 percent from a year earlier, and the number of invested venture firms increased 16.1 percent during the same period to 238.

Out of the investment, 105.4 billion won (US\$98.2 million) went to those firms established within three years, while 112.2 billion won (US\$104.5 million) was invested in three to seven-year-old firms. The combined amount increased 55.4 percent from 140 billion won (US\$130.4 million) or so compared to the same quarter last year, and the ratio grew from 50.5 percent to 60.8 percent. Also, 124 and 61 out of the 238, that is, 52.1 percent and 25.6 percent of the total invested venture firms, were those types of companies, respectively.



9.0 percentage points year-on-year, and that the service industry, including online marketing, showed 7.7 percentage points of growth. Meanwhile, the percentages decreased by 8.6 percentage points for cultural content, 6.4 percentage points for biotech, and 6.1 percent for the manufacturing sector. ¹

by Jung Suk-yee

Public-Private

LG Group to Foster 20 Venture Businesses This Year with Chungbuk Creative Economy Innovation Center

The LG Group announced on May 13 that it will join hands with Chungbuk Creative Economy Innovation Center to nurture 20 venture businesses this year in a bid to foster promising venture businesses and to promote start-ups in Chungcheongbuk Province.

On May 13, the Chungbuk Creative Economy Innovation Center, in cooperation with the Small and Medium Business Administration of Chungcheongbuk-do Province, hosted “Start-up Jump-up Day” to discuss customized support and promotion for venture firms.

CEOs from eight venture companies that were selected by the head of the Business Incubation Center and officials from Chungbuk Creative Economy Innovation Center attended the event and discussed specific assistance packages, including patents, technology, and financing.

The Chungbuk Creative Economy Innovation Center will seek out an additional 12 promising venture businesses within this year and carry out active support programs that help them create



The Chungbuk Creative Economy Innovation Center held Jump-up Day on May 13, where eight CEOs of venture companies and Center representatives discussed development strategies for venture companies.

substantial results, including sales growth and overseas expansion.

Yoon Joon-won, head of the center in Chungcheongbuk Province, said, “By actively using LG’s patents, technologies, and business expertise, we will provide customized support to each venture firm so that they can achieve tangible results.” ²

by Cho Jin-young

Bleak Outlook

Majority of Startups in Korea Driven Out of Business

The Korea International Trade Association announced on May 25 that the number of startups in Korea increased 12.1 percent from a year earlier to 84,697 last year. But many of them are failing to overcome Death Valley, which can be defined as their third to seventh years when they face difficulties in terms of financing, market penetration, and other problems.


In Korea, the ratio of those startups surviving their third year stood at just 41.0 percent in 2013, which was the low-

est among 17 OECD member countries. The percentage was the highest in Luxembourg (66.8 percent), which was followed by Australia (62.8 percent), Israel (55.4 percent), the United States (57.6 percent), and Italy (54.8 percent).

In Korea, three-fourths of newly-established corporations went out of business within an average of five years, and the ratio of those continuing with their businesses was limited to approximately 8 percent. This implies that it is relatively easy to get into the market, but competi-



tion is very intense, and many startups fail to realize the economy of scale.

Sixty-three percent of startups in Korea were found to be those producing little added value, while the ratio of those securing an opportunity was only 21 percent. The percentages were 13 percent vs. 58 percent in Israel, 26 percent vs. 54 percent in the United States, 30 percent vs. 53 percent in Britain, 22 percent vs. 46 percent in Japan, and 42 percent vs. 43 percent in China. 

by Jung Suk-ye

Advanced Base for Startups

Google Opens First Asia Campus for Startups in Seoul

Google opened its first Asian startup campus, a system to support and facilitate global entrepreneurs, in Seoul on May 8, and expectations are growing for Korean start-ups will begin to go global.

Through its "Campus Seoul," Google will help develop Korea's creative ideas into creating local start-ups and provide a platform to help them tap into overseas markets. However, it won't directly invest in specific start-ups.

Local start-ups at Campus Seoul will have the opportunity to reach out to more users around the world using Google's open platform, while Google creates economic value, including the enhancement of service use, by incubating start-ups using its services.

Excluding Google Campus in the U.S., the Campus Seoul is the third Google start-up center to open in the world, following two other campuses in London and Tel Aviv. Google's Campus London has attracted investment of US\$110 million (119 billion won) and created jobs for 1,800 workers in the last

three years since its establishment. The campus in Tel Aviv has also created a synergy effect in Israel's start-up ecosystem with the support of the Tel Aviv Angel Group.

The Ministry of Science, ICT and Future Planning (MSIP) has expectations that Google's advanced start-up support system and its global network will contribute to the globalization of Korea's venture ecosystem through this Campus Seoul.

In particular, it expects that local start-ups will build relationships with overseas start-ups, global accelerators and venture capital firms. The ministry also expects that by targeting the global market from the beginning of starting their business, the participants at Campus Seoul will attract more global investment. Previously, the global K-Startup program, which was jointly supported by the MSIP and Google, created 77 start-ups and attracted 25.3 billion won (US\$23.22 million) in investment from 2012 to last year.

With the company underlining that this is a favorable opportunity to start your



own business, Google also emphasized the value of Seoul.

It said that Seoul is the perfect place to test next-gen IT industry since it has the highest smartphone penetration rates and Internet of Things (IoT) utilization rates. In accordance with these traits, Google is hoping that Campus Seoul can become an entrance window for overseas companies to try to make inroads into the Asian market.

The will of the government authorities to incubate start-ups also stands out. Attending the opening ceremony for Google Campus Seoul, President Park Geun-hye said during the congratulatory address, "We will seek to develop South Korea into the fastest growing global start-up hub in the world. Focusing more on the qualitative aspects of business start-ups in the future, the government will actively promote technology and global business start-ups and support the privately-led venture ecosystem to grow more healthily." 

by Jung Suk-ye

Antimony Coats

Research Team Develops Reusable Graphene Fuel Cell Electrodes




An example of pure antimony, or stibnite. (Photo via Wikimedia Commons)

A Korean research team successfully developed a technique to make a reusable electrode material for fuel cells for the first time. Once the technology, which was already transferred to a local firm, is commercialized, it is expected to greatly contribute to the supply of industrial materials.

A research team headed by professors Baek Jong-bum, Kim Gun-tae, Jung Hoo-young, Park No-jung, and Dr. Jeon In-yeop at Ulsan National Institute of Science and Technology announced on May 26 that they succeeded in developing a reusable electrode material for fuel cells by selectively coating antimony with graphene through a mechanochemical process, thereby maximizing electrochemical activities.

Fuel cells are used to generate electricity through a chemical reaction between hydrogen, alcohol, oil, and oxygen, using a catalyst. Since platinum is mostly used for the catalyst, it is expensive to make fuel cells. Moreover, they perform poorly. Graphene used to receive a lot of attention as a replacement, but due to low electrochemical activities, the use of a non-metal element turned out to damage graphene crystals.

The research findings were first published online on May 22 by Nature Communications, a bi-monthly scientific journal published by the Nature Publishing Group. 

by Cho Jin-young

Resiliency Substance

Korean Research Team Discovers Stress-Recovery Substance in the Brain



A mouse covering in response to overwhelming stress.


A Korean research team discovered a substance in the brain that determines the ability to recover from stress, what was considered to be a personality feature before.

A research team headed by professors Kim Dong-gu, Kim Cheol-hoon, and Kang Ji-in at the Yonsei University College of Medicine announced on May 26 that they confirmed that a lack of metabotropic glutamate receptor 5 (mGluR5), a G protein-coupled receptor that in humans is encoded by the GRM5 gene, triggers a dramatic decrease in stress-recovery ability.

They expected that this receptor related to learning and memory would play an important role in stress recovery. Therefore, they created a stressful environment in which a control group and an experimental group of mice deprived of this receptor through genetic manipulation were exposed.

After observing the behavior of the two groups, the research team found that the experimental group generally cowered, as shown by their tendency to stay in the corner. After analyzing substances in the brain of mice based on the results of their experiment, the research team discovered that the mGluR5 of the control group that successfully coped with the stressful environment was activated, which led to the manifestation of DeltaFosB, a stress-recovery substance. It indicates that the activation of mGluR5 triggers the manifestation of DeltaFosB, raising the possibility of artificially controlling stress.

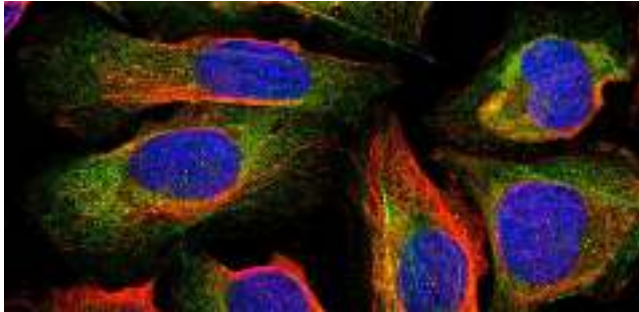
Professor Kim explained, "Our study gives hope that it is possible to control stress by discovering that stress-recovery factors are in the brain." He added, "I think that we can find a way to cope with stress that causes and aggravates illnesses of the body and mind such as depression, anxiety disorders, post-traumatic stress disorders, or lifestyle diseases including cancer."

The research findings were first published online by Nature Neuroscience, a monthly scientific journal published by the Nature Publishing Group. 

by Cho Jin-young

Strengthening Response

Biological Factor Found to Help Kill Infected Cells



A microscope photo of stained cells, showing the location of TAGLN2 proteins in green. The cell nuclei are blue and the actin filaments are red. (Photo via The Human Protein Atlas)

A Korean research team has discovered a core biological factor capable of killing infected cells more effectively by securely anchoring T lymphocytes to infected cells.

The National Research Foundation announced on May 14 that Professor Jeon Chang-deok and PhD student Na Bo-ra at the Gwangju Institute of Science and Technology successfully found a method to help T lymphocytes kill virus-infected cells more easily.

When cells are infected with a virus, T lymphocytes are the ones that detect and kill infected cells. T lymphocytes kill infected cells by injecting deadly toxic materials into them through an immunological synapse.


However, T lymphocytes haven't been used properly in studies to strengthen immunity to infection or treat cancer, since researchers have failed to find a way to stabilize the immunological synapses. T lymphocytes move with a globular multi-functional protein called actin. The research team was able to discover how to maintain the immunological synapse after discovering the function of the TAGLN2 protein, which is produced only in T lymphocytes and strengthens the structure of the lymphocyte with the combination of actin.

Animal experiments showed that a group of mice from which the TAGLN2-making gene was removed were unable to kill infected cells, even though the T lymphocytes recognized those cells. In contrast, another group with a lot of TAGLN2 protein was able to kill cells more easily, since the T lymphocytes were strongly attached to the infected cells.

The research team is currently working to develop a peptide compound that controls the function of the TAGLN2 protein. They think that this material will help increase the body's fight against viruses. It will also contribute to cancer treatments without rejecting the transplanted organ by the patient's immune system when toxic T lymphocytes specific for cancer cells are directly made.

Professor Jeon remarked, "This study is significant in that the

original material that forms a basis for the immune response was locally discovered." He added, "I think that it will mark a new milestone in research aimed at conquering cancer or eliminating viruses, including H1N1 and avian influenza."

The research findings were first published online on April 13 by the Journal of Cell Biology, a scientific journal published by Rockefeller University Press. 

by Cho Jin-young

Anti-aging Fruit

RDA Discovers Substance Preventing Vascular Aging in Local Fruit




The fruit of *Eleutherococcus gracilistylus*, a close relative in the same genus as *Eleutherococcus sessiliflorus*, looks identical.

A substance that may prevent vascular aging has been discovered in the fruit of the *Eleutherococcus sessiliflorus* tree. In oriental medicine, the fruit is called "the lion that drives out stroke," or "Choo Poong Sa" in Korean, and is said to protect the energy of the liver and the kidney, and to strengthen the tendons and the bones. It is used to treat quadriplegia, fractures of the back and the knee, blood that has leaked into the surrounding tissue, and strokes. The thorny shrub or tree *Eleutherococcus sessiliflorus* is native to Asia, and does not have a common English name.

The Rural Development Administration (RDA) announced on May 12 that it extracted *Eleutherococcus sessiliflorus* A from the fruit and discovered its chemical structure. Also, it confirmed its age-suppressing effects on vascular cells through experiments on human umbilical vein endothelial cells (HUVECs).

The fruit of *Eleutherococcus sessiliflorus* is likely to be developed as a natural substance to prevent and treat cardiovascular disorders. In the toxicological investigation, which was carried out before cellular experiments, the level of cytotoxicity was also proved to be safe.

The RDA has applied for a patent on the research findings and will expand its experiments to animals and human subjects in the future. 

by Jung Min-hee

International Organic Expo

Four Months until ISO FAR 2015 Goesan International Organic Expo + Industry Fair

The bird's-eye view of the venue of the ISO FAR 2015 Goesan International Organic Expo + Industry Fair, which is four months ahead.


The ISO FAR 2015 Goesan International Organic Expo + Industry Fair is four months away, being held at the Goesan Organic Expo planation from Sept. 18 to Oct. 11.

The expo organization committee set up a plan to put together the venue and facilities installation, and began to construct some parts of the venue.

The expo will consist of 10 Main Theme Exhibition Halls that will introduce research about the organic industry, 7 Outdoor Exhibitions that will introduce a vision of an organic industry, an Organic Medicinal and Cosmetic Products Hall, and an Organic Expo Park.

Longtailed shrimp, living fossils that were artificially hatched from found eggs, will be exhibited at the event as well, definitely drawing more attention.

The organic expo is aimed at attracting 190 South Korean companies and 60 overseas companies. Eligible participants are companies having organic certificates in the sectors of agricultural and livestock products, processed foods, cosmetics and textiles, clothing, or household goods. At the moment, about 50 companies have registered.

The organic industrial expo is aimed at attracting 620,000 South Korean and 40,000 foreign visitors. The organizational committee is promoting the expo, targeting student groups in the Choongcheong and metropolitan regions, as well as agricultural, women's, and hiking groups, which may be interested in organic foods. The committee also plans to attract visitors to the regions near the expo venue by developing linked tour packages with selected travel agencies.  by Lee Song-hoon

Event Overview

Title:	The ISO FAR 2015 Goesan International Organic Expo
Vision:	Establish the "Organic Korea" brand in the world
Theme:	Organic Life - Science Meets the Public
Period:	2015.9.18 to 2015.10.11
Place:	The Goesan Organic Expo planation near Goesan County Hall
Hosted by:	Choongcheongbuk-do, Goesan County, ISO FAR
Ministry:	The Ministry of Agriculture, Food and Rural Affairs
Organized by:	The The ISO FAR 2015 Goesan International Organic Expo + Industry Fair organization committee
Event:	Theme Exhibition Halls, Outdoor Exhibitions, Organic Medicinal and Cosmetic Products Hall, international academic conference, and cultural performance

K-Shop 2015

Korean Retail Show K-shop at KINTEX Sept. 2-4



K shop 2014



K shop 2014



K Shop 2014 Conference

The 2015 K-shop, South Korea's only retail shop show, will be held at hall 2 of exhibition area 1 of KINTEX from Sept. 2 to 4.

About 15,000 B2B buyers are expected to participate in the show. The show's theme is "The strategy for successful on-offline shops in the omni-channel distribution era," which will be the subject of both exhibitions and conferences. The show will demonstrate organic linking strategies for offline, online, and mobile shops for successful shop management.

In the exhibitions, 200 companies' most recent products and services of shop design (e.g. interior and visual merchandising) and shop technology (e.g. client management, payment, digital marketing and security) will be introduced.

The conferences, to be held for three days, will consist of 30 sessions discussing case studies of omni-channel strategy, unique designs for attracting clients, systematic customer analysis and digital device services.

The K-shop 2015 is held by KINTEX and E-sang Networks, and sponsored by the government. For more detail, contact Yoon Myeong-hee, supervisor of the MICE project sector of KINTEX, via 031-995-8072 or kshop@kintex.com. Also check out www.kshop.org for more information. 

by Lee Song-hoon

Event Details

Title	K-shop 2015
When	2015/9/2 - 4
Where	KINTEX 1 Hall 2
Scale	200 companies participating, 20,000 visitors
Components	Exhibition, conference, showroom, special zone
Items	<ul style="list-style-type: none"> •Shop Design: Interior, shop facilities, visual merchandising, marketing •Shop Technology: i-Retail, digital display, distribution equipment, security
Host	KINTEX, E-sang Networks
Sponsors	Ministry of Science, ICT, and Future Planning; Ministry of Trade, Industry & Energy, Gyeonggi-do

Hello, Mr K!

KCIS Introduces Korean Culture to Foreigners in the Country

The Korean Culture and Information Service (KCIS), a subsidiary of the Ministry of Culture, Sports and Tourism, put together a collection of old and new cultural performances called “Hello, Mr K!” that is visiting regions where foreigners cluster together such as universities, regional festivals, and industrial fields, KCIS said.

The performance includes a variety of Korean cultural content. For something new, Crew is an LED dance performance troupe that performs, and for something old, Gwangaeto Samul, a traditional Korean agricultural music performance, can also be seen. There is also a performance of the song Arirang by singer Kim Yong-woo, the musical gala concert team The Muse, and the K-pop group N-Sonic. Particularly, “Hello, Mr K!” has programs in which the audience can participate.


The first event of “Hello, Mr K!” was held at Yonsei University’s auditorium on May 15, with 1,600 international students in



A foreign audience member participating in the performance of “Hello, Mr K!” (Photo by KCIS)

South Korea, KCIS said. The event was held as a priority, regarding the fact that there are now about 92,000 international students in the country, KCIS said. Yonsei University got its 1,000 Korean language students to watch the performance to learn about Korean culture, the KCIS said.

“Hello, Mr K!” will be put on for the U.S. army in Pyeongtaek on May 29, the village for athletes at the Universiade Gwangju 2015 on July 4, and Iksan Arts Center on August 15.

Park Young-kook, the head of the KCIS, said that “Hello, Mr K!” was launched because foreigners in the country have had a few opportunities to learn Korean culture, although Korean society has become a multicultural society. He expects “Hello, Mr K!” to support foreigners learning Korean culture, as well as enhancing the country’s image, he said. 

by Lee Song-hoon

Bollywood Hallyu

Korean Wave to Further Spread in India

On May 18, Minister of Trade, Industry & Energy Yoon Sang-jik and Anil Wadhwa, Secretary (East) in the Ministry of External Affairs of India, signed an agreement in Seoul for the co-production of audio visual programs by Korea and India.


According to the treaty, every film and broadcasting program co-produced by the two countries and satisfying certain conditions is regarded as a domestic product in both of the countries and can enjoy the corresponding benefits. Also, the co-producers are allowed to enter countries with convenience and regulations on them, and their products are addressed by means of a temporary committee.

The co-product title is granted when the co-producers make a certain level of financial contributions, and their contribution of creativity is rationally proportional to the financial contribution. Specifically, the minimum is 20 percent of the total production costs for a film and 30 percent for a broadcasting program. The agreement also states that a Korean filmmaker does not have to hire an Indian and can be provided with some subsidies while making a film in India.

At present, Korean TV dramas such as Haeshin and Daejanggeum are aired only in the Northeastern part in India. Under the



circumstances, the treaty is expected to accelerate the spread of the Korean Wave across India, which is home to the world’s sixth-largest video content market predicted to grow by an annual average of 10.4 percent for five years to come.

As of 2013, the Indian film and TV broadcasting industries reached US\$1.6 billion and US\$9.7 billion in size, respectively. In India, which is the country that makes the largest number of films a year in the world, approximately 2.5 billion movie tickets are sold each year, and the number is likely to go up with those in their 30s and younger accounting for 60 percent of the entire population. 

by Jung Min-hee

Market Destinations

KTO Releases List of 16 Traditional Markets for Tourists

Korea Tourism Organization (KTO) released the list of traditional markets that are most worth visiting for tourists. The list includes Incheon Sinpo Market, Suwon Paldalmun Market in Gyeonggi Province, Sokcho Tourist & Fishery Market and Wonju Jungang Market in Gangwon Province, Chuncheon's Nangman (Romantic) Market, Cheongju Yukgeori Traditional Market and Seongan-gil Market in Chungcheongbuk-do Province, Daejeon's Joongang Market, Gwangju's Dae-in Market, Jeonju's Nambu Traditional Market, Daegu's Seomun Market, Andong's Jungang New Market, the International Market and Bupyeong (Kkangtong) Market in Busan, Gyeongju's Jungang Market, the Seogwipo Maeil Olle Market, and Jeju's Dongmun Traditional Market.

Among 35 traditional markets recommended by local governments outside of Seoul, KTO made the final selection after screening them by professional experts based on tourism attractiveness for foreign tourists, such as accessibility, amenities, food, and nearby attractions. The organization is planning to develop and launch a "Traditional Market Electronic Stamp Tour App" for individual tourists later this year.


Suwon's Paldalmun Market is the first and only market cre-



Sokcho's Tourist & Fishery Market

ated by a king in history. It forms a large market area put together by consolidating several markets, including the Paldalmun, Jidong, Minari, Motgol, and Yongdong markets. The market offers cultural events such as the Haenggung Road Light Festival and the Hwaseong Cultural Festival.

Daegu Seomun Market is the largest traditional street market in Daegu, and it is visited by many tourists both at home and abroad. The market is also one of the country's oldest markets, dating back to the middle of the Joseon Dynasty. It offers various foods, including a wide variety of ggoma gimbap, or mini gimbap, kaljebi, a combination of noodle kalguksu and soup sujebi, nabjak mandoo, or flat dumplings, and fresh fruit juices.

Also, Cheongju Yukgeori Traditional Market and Seongan-gil Market are the largest conventional markets in Chungcheongbuk Province and the nation. A 5-day market called "dokkaebi market" is also being held in the early morning on every date ending with a 2 or a 7. KTO will promote the 16 traditional markets across the world through its overseas branches and develop its tourist products in cooperation with local travel agencies. 

by Lee Song-hoon

Wave of Money

Hallyu Has Induced 12.6 Trillion Won of Production

The Hallyu or Korean Wave, the global popularity of Korean pop culture, induced 12.6 trillion won (US\$11.7 billion) of 2014's national production, according to the Korea Trade-investment Agency (KOTRA) and Korea Foundation for International Culture Exchange (KOFICE).

The production inducement effect of the Hallyu has steadily increased from 11 trillion won (US\$10.2 billion) in 2011, KOTRA said.

In particular, the online game and tourism sectors each created 2 trillion won (US\$1.85 billion), while the food sector created 1 trillion won (US\$925 million), KOTRA said.

The cosmetic sector induced 8.824 billion won (US\$8.164 million) of production, having increased by 56.6 percent from last year, KOTRA said.


Moreover, the export value of the country's cultural content,



The members of Girls' Generation are early harbingers of the Korean Wave in many different markets.

consumer goods, and tourism sectors increased by 8.4 percent from last year, while the country's growth rate of its overall export value was 2.3 percent, KOTRA said.

The Hallyu has become more popular in Malaysia, Myanmar, Vietnam, Uzbekistan, Indonesia, Taiwan, Singapore, China, Thailand, and the Philippines, KOTRA said. In contrast, it appeared to be declining in India, Iran, and Japan, KOTRA said.

The Hallyu is steadily growing in its emerging markets in Mexico, the United States, Argentina, Germany, Russia, and Brazil, according to KOTRA. 

by Oh Seung-mock